2006 Annual Report

Crown Investments Corporation of Saskatchewan

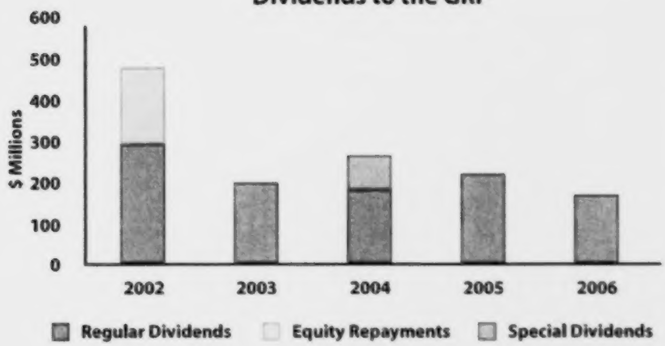
Financial Results

2006 Financial Highlights

Assets	$9.4 billion
Consolidated debt	$3.5 billion
Debt ratio[1]	49.9%
Capital spending	$1.4 billion
Revenue	$5.1 billion
Net earnings	$441.1 million
Return on equity	12.6%
Dividend to the GRF	$167.0 million

[1] Debt ratio calculation is based on long-term debt and notes payable, and excludes current liabilities and discontinued operations.

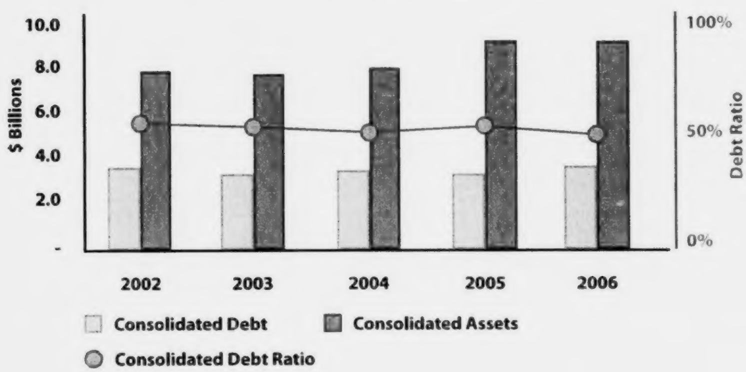
Dividends to the GRF



CIC's solid financial performance has allowed it to declare dividends to the GRF of almost $1.1 billion over the past five years.

Crown Investments Corporation of Saskatchewan
400 - 2400 College Avenue
Regina, Saskatchewan
(306) 787-6851
www.cicorp.sk.ca

Consolidated Capital Structure



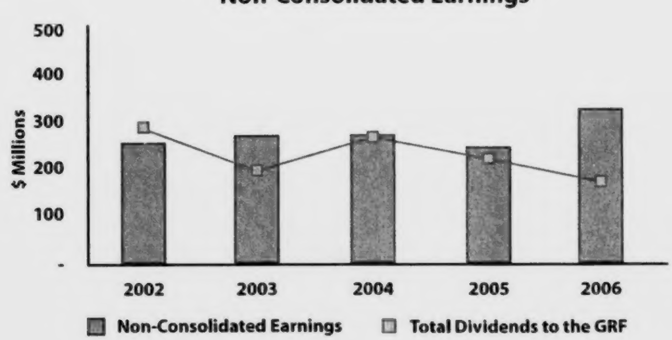
CIC's debt ratio has been relatively stable over the past several years, an indication of prudent fiscal management in the Crown sector.

Consolidated Earnings

CIC had strong earnings from ongoing operations in 2006.

In 2006, net earnings from ongoing operations excluded discontinued operations, income taxes and non-recurring items.

Non-Consolidated Earnings



CIC's non-consolidated earnings determine its capacity to pay dividends to the GRF.

In 2006, CIC had non-consolidated earnings of $322.3 million and declared a dividend to the GRF of $167.0 million.

CIC

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Letter of Transmittal

Regina, Saskatchewan
March 28, 2007

To His Honour
The Honourable Gordon Barnhart
Lieutenant Governor of the Province of Saskatchewan

Sir:

I have the honour to submit herewith the twenty-ninth Annual Report of Crown Investments Corporation of Saskatchewan for the year ended December 31, 2006 in accordance with *The Crown Corporations Act, 1993*. The Consolidated and Non-Consolidated Financial Statements included in this Annual Report are in the form approved by the Treasury Board and have been reported on by our auditors.

I have the honour to be, Sir,

Your obedient servant,

Maynard Sonntag

Maynard Sonntag
Minister of Crown Investments Corporation of Saskatchewan

Chair's Message

The Government of Saskatchewan is committed to making our province the best place in Canada to live, work, and raise a family. Our Crown corporation sector continues to make a significant contribution to helping us keep this commitment.

As you will see in the financial statements, the Crown sector had another excellent year in 2006. It recorded consolidated net earnings of $441 million and declared a dividend of $167 million to the province's General Revenue Fund to help pay for programs and services that benefit all Saskatchewan people. In addition, there were substantial reinvestments in Saskatchewan. SaskTel made investments in its bandwidth infrastructure and expansion of its broadband network to rural areas, while SaskPower invested in customer connects and in extending the life of its existing infrastructure.

In 2006, our Crowns also: employed more than 11,000 people all across the province; purchased $2 billion in goods and services from 20,000 local suppliers; partnered with another 1,200 Saskatchewan companies to provide services; spent $624 million on capital projects; and donated $7 million to Saskatchewan-based charities and community events. While making this contribution to our economy and our communities, the Crowns have never lost sight of the reasons why they were established more than a hundred years ago – to provide accessible, reliable, high quality, affordable services to Saskatchewan people.

This public policy role was clearly evident again in 2006 as the four major Crowns – SaskPower, SaskEnergy, SGI and SaskTel – helped Government keep our commitment to the lowest-cost utility bundle for the third straight year. Good management of rates by these Crowns allowed Saskatchewan families to enjoy the lowest costs in Canada for a package of basic utilities that includes residential electricity and natural gas, basic phone service, and auto insurance.

CIC and its subsidiary Crowns made important steps in two other public policy areas in 2006 – their commitment to provide career opportunities in the Crowns for our young and Aboriginal people, and their commitment to the growth of Saskatchewan's small business sector.

The Government of Saskatchewan believes our province has boundless opportunities for our young people – opportunities they can't get anywhere else, coupled with a lifestyle that is second to none. Since 2004, CIC has developed a number of programs aimed at helping our young people, and our First Nations and Métis people, stay in Saskatchewan to pursue their careers and raise their families. From the Aboriginal Bursary Program at the University of Regina and First Nations University of Canada, to the highly successful Gradworks internship program, to the Mathematics and Science Enrichment Program at the University of Saskatchewan, young people, especially First Nations and Métis people, are getting the help they need to prepare for careers in the Crown sector or in other businesses. We are very proud of the partnerships that CIC has developed with our province's educational institutions to deliver these programs, and we look forward to their continued success.

CIC's commitment to the small business sector was enhanced in 2006 through the launch of the First Nations and Métis Fund. It was particularly rewarding to see CIC join forces with the Federation of Saskatchewan Indian Nations, through its investment arm the Saskatchewan Indian Equity Foundation, and with the Clarence Campeau Development Fund, on behalf of Métis organizations, to bring this fund into existence. There has been great interest in the fund and we are hopeful that it will be a major participant in creating jobs and economic activity for First Nations and Métis people in Saskatchewan.

These are just a few of the Crown sector's accomplishments in 2006. We look forward to the years ahead as the sector continues to play a vital role and make significant contributions to Saskatchewan's economy, to our communities, and to the social fabric of our great province.

I am pleased to present CIC's 2006 Annual Report.

Maynard Sonntag

Maynard Sonntag
Minister of Crown Investments Corporation of Saskatchewan
Chair of the Board of Directors

President's Message

CIC and its subsidiary Crown corporations posted another strong year financially in 2006. The Crown sector recorded consolidated net earnings of $441 million, an increase of $134 million from 2005 ($306.7 million). The increase was due mainly to higher earnings from CIC's share of NewGrade Energy Inc., as well as increased earnings for Investment Saskatchewan, SGI and SaskTel.

A substantial portion of these earnings was directed back into Crown sector capital projects in 2006. For example, SaskPower invested $284.6 million in projects including customer connects and the rehabilitation of existing generating facilities. SaskTel spent $228.5 million on projects including advancing its bandwidth infrastructure through the Next Generation Access Infrastructure program, and further expansion of the broadband network to rural Saskatchewan.

Consolidated revenue for 2006 was $5.1 billion, up $225.8 million from 2005 ($4.8 billion). The increase was due mainly to higher revenue from NewGrade, SaskPower, SaskTel and SGI. CIC's share of NewGrade's revenue was up $107.9 million due to increased differentials between light and heavy oil prices, and continued solid operation of the facilities by Consumers' Co-operative Refineries Limited. SaskTel recorded more than $1 billion in revenue for the first time in its history, due mainly to strong cellular access growth and greater revenue from MAX™ Entertainment Services. SaskPower recorded higher utility sales in 2006, while SGI experienced added revenue growth in its Saskatchewan commercial insurance premiums.

The Crown sector provided a dividend of $167 million to the province's General Revenue Fund (GRF) in 2006. In the past five years, CIC's solid financial performance has allowed it to declare dividends, including equity repayments, of $1.1 billion to the GRF. The province uses this money to help pay for programs and services that benefit all Saskatchewan people.

Besides its financial success in 2006, the Crown sector also played a significant role in delivering public policy initiatives, as has been mentioned by the Chair. In particular, I would like to commend the Crowns for their commitment to the Gradworks internship program, which is helping educated, talented young people stay in Saskatchewan to build their careers. Gradworks has been a career stepping stone for many recent post-secondary graduates. For example, Mindy Woloschuk's internship at SaskEnergy led to a permanent position as a Customer Solutions Leader in the corporation's Distribution Utility. And, Ranjith Narayanasamy accepted a permanent position as an engineer at SaskPower after interning with that Crown. He was also recently appointed to the Gradworks Board of Directors as its youth member.

Also in 2006, CIC continued to develop its programming aimed at supporting job growth and increased activity in Saskatchewan's key economic sectors: value-added agriculture, advanced technology, energy, mining, manufacturing, and forestry. We followed the establishment of the Saskatchewan Entrepreneurial Fund in 2005 with the First Nations and Métis Fund in 2006 and the Apex Investment Fund in early 2007. All three funds have been designed to make investments on commercial terms and to complement the mandate of Investment Saskatchewan. We now have a complete set of investment vehicles in place to address funding needs for new and expanding businesses of all sizes in rural, urban and northern parts of the province, as well as to support Aboriginal economic development.

I would like to commend CIC staff as well as our subsidiary Crowns and their employees for these significant financial and public policy achievements in 2006. These accomplishments have laid the groundwork for what we forecast to be another successful year in 2007.

Ron Styles
President and CEO

Corporate Profile and Governance

CIC is the financially self-sufficient holding company for 11 subsidiary commercial Crown corporations and one major investment, NewGrade Energy Inc. Summary information on these holdings begins on page 12. Detailed information is in the CIC Consolidated section (tab 2) starting on page 50.

CIC's roots are in The Government Finance Office (GFO), which was established in 1947. The GFO's role was to act as a holding company for many of Saskatchewan's Crown corporations and to be a mechanism for developing broad policy control, directing investment, and routing dividends into the government's consolidated fund. In 1978, the GFO was renamed Crown Investments Corporation of Saskatchewan. *The Crown Corporations Act, 1993*, is the current governing legislation.

CIC's Vision

CIC provides strategic focus to the Crown corporation sector. CIC is financially self-sufficient and is a leader in facilitating economic growth.

CIC's Mission

We are the Province of Saskatchewan's holding company that:

- provides effective governance for subsidiary Crown corporations through strategic direction and performance management; and
- enhances Saskatchewan's long-term economic growth and diversification.

CIC's Values

CIC is committed to:

- using honesty, integrity and professionalism in dealing with all stakeholders;
- demonstrating leadership and innovation;
- communicating openly and effectively;
- taking full responsibility for our actions;
- creating a work environment that is attractive to highly skilled and knowledgeable people who work effectively together; and
- being a model employer by developing our employees' knowledge and skills.

CIC Structure and Management

During 2006, CIC had 82 employees (includes Gradworks interns and co-op students) in its six divisions: President's Office; Capital Pension and Benefits; Economic Initiatives; Finance and Administration; Labour and Aboriginal Initiatives; and Strategy and Governance.

CIC's Executive Committee

Ron Styles
President and Chief Executive Officer

Blair Swystun
Vice President and Chief Financial Officer

Dale Schmeichel
Vice President, Strategy and Governance

Don Axtell
Acting Vice President, Economic Initiatives

Perry Bellegarde
Vice President, Labour and Aboriginal Initiatives

Doug Kosloski
General Counsel and Corporate Secretary

Karen Schmidt
Executive Director, Communications

Kathie Maher-Wolbaum
Special Advisor, Government Relations

Deb Kachluba
Director, Human Resources

Ken Klein
Executive Director, Capital Pension and Benefits

The responsibilities of CIC management are to:

- serve as staff to the CIC Board, providing analysis and recommendations on which informed decisions can be made;
- develop policy on Crown corporation and investment matters;
- serve as the CIC Board's communications link with Crown boards and management;
- co-ordinate the implementation of policy within the Crown sector;
- manage CIC's operations;
- take responsibility for the preparation, reliability and integrity of the financial statements; and
- monitor emerging issues in CIC's business environment.

CIC Board of Directors

The CIC Board of Directors is responsible for monitoring and evaluating CIC's subsidiaries and for managing CIC's investments. At December 31, 2006, the CIC Board consisted of five members of the Provincial Cabinet appointed by the Lieutenant Governor-in-Council. The CIC Board is a key Cabinet committee which acts as a liaison between Cabinet and Crown corporations. The Board makes decisions in its own right, and forwards recommendations to Cabinet for consideration. The CIC Board met 17 times in 2006.

The CIC Board's key responsibilities are to:

- set strategic direction for the Crown sector;
- provide oversight to subsidiary Crown corporations by setting performance expectations, allocating capital within the sector, and monitoring and evaluating performance;
- provide oversight to CIC management by approving business plans and budgets, and monitoring and evaluating corporate performance; and
- act as an audit and finance committee by approving CIC's financial statements, and meeting with external auditors and the Provincial Auditor without management present.

CIC

Board of Directors from February 3 through December 31, 2006

1


2


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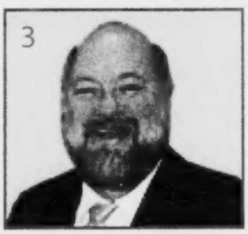

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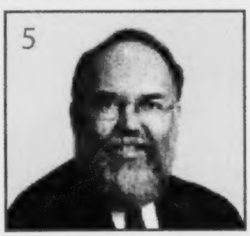


The following Ministers served on the CIC Board of Directors from February 3 through December 31, 2006:

1. **Honourable Maynard Sonntag, Chair**
   Minister of Crown Investments Corporation of Saskatchewan
   Minister of First Nations and Métis Relations

2. **Honourable Andrew Thomson, Vice Chair**
   Minister of Finance
   Minister Responsible for Information Technology
   Minister Responsible for SaskEnergy Incorporated
   Minister Responsible for Saskatchewan Development Fund Corporation

3. **Honourable Glenn Hagel, Member**
   Minister of Culture, Youth and Recreation
   Provincial Secretary
   Minister Responsible for Gaming
   Minister Responsible for Saskatchewan Government Insurance
   Government House Leader

4. **Honourable Deb Higgins, Member**
   Minister of Learning
   Minister Responsible for Literacy
   Minister Responsible for Liquor and Gaming Authority
   Minister Responsible for Saskatchewan Telecommunications

5. **Honourable John Nilson, Q.C., Member**
   Minister of Environment
   Minister Responsible for the Office of Energy Conservation
   Minister Responsible for Saskatchewan Power Corporation

The following Ministers served on the CIC Board of Directors from January 1 to February 2, 2006 (the portfolios listed are those they held during that period):

Honourable Pat Atkinson, Chair
Minister of Crown Management Board (CIC)
Minister Responsible for Immigration
Minister Responsible for the Public Service Commission

Honourable Maynard Sonntag, Vice Chair
Minister of First Nations and Métis Relations
Minister Responsible for Saskatchewan Telecommunications
Minister Responsible for Saskatchewan Government Insurance

Honourable Eric Cline, Q.C., Member
Minister of Industry and Resources
Minister Responsible for Investment Saskatchewan Inc.
Minister Responsible for Information Services Corporation of Saskatchewan
Minister Responsible for Saskatchewan Government Growth Fund Management Corporation
Minister Responsible for Saskatchewan Opportunities Corporation

Honourable Frank Quennell, Q.C., Member
Minister of Justice and Attorney General
Minister Responsible for Saskatchewan Power Corporation

Honourable Harry Van Mulligen, Member
Minister of Finance
Government House Leader
Minister Responsible for SaskEnergy Incorporated
Minister Responsible for Saskatchewan Development Fund Corporation

Honourable Eldon Lautermilch, Member
Minister of Highways and Transportation
Minister Responsible for Saskatchewan Transportation Company

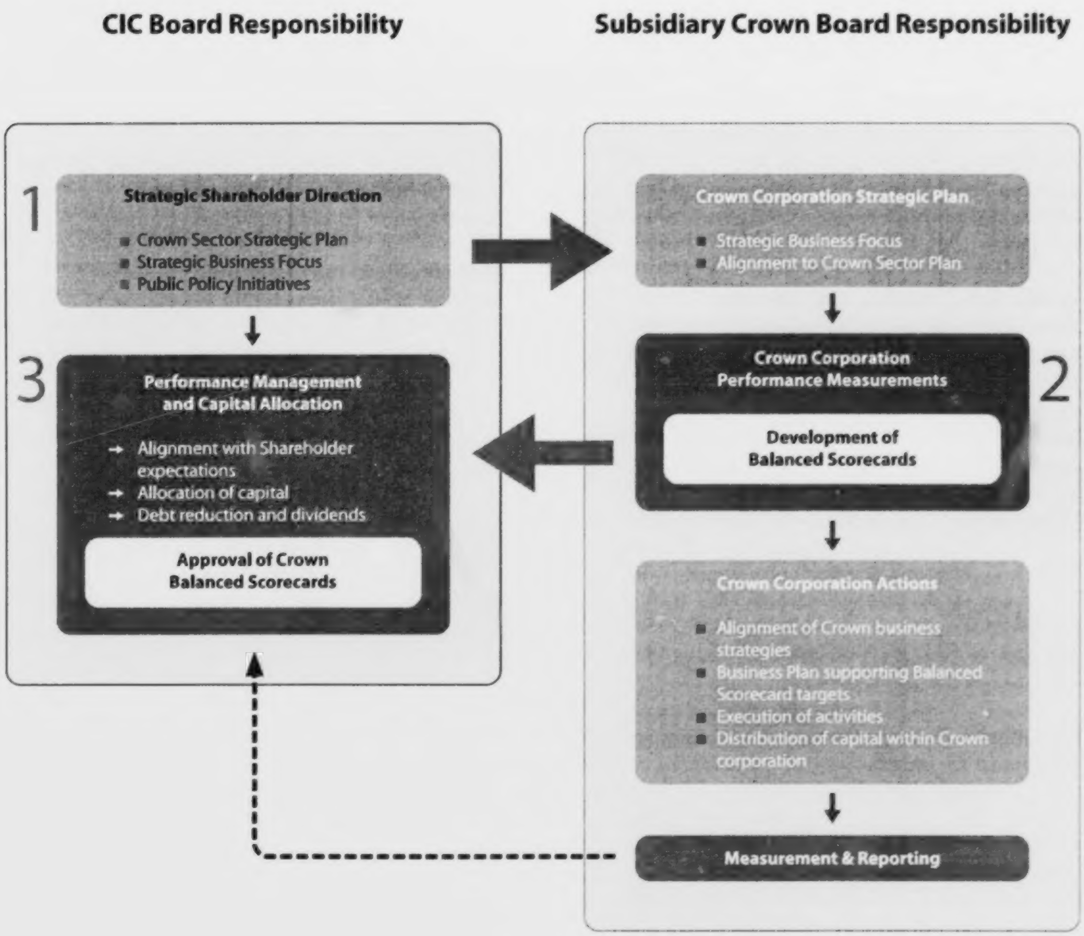
Crown Sector Governance

CIC's mission (excerpt): *We are the Province of Saskatchewan's holding company that: provides effective governance for subsidiary Crown corporations through strategic direction and performance management...*

For the purposes of this report, governance describes the processes, structures and functions that CIC uses to direct and oversee the management of the Crown sector so it effectively fulfills its mandate. CIC oversees/manages a comprehensive framework designed to strengthen governance, performance and accountability of subsidiary Crowns and to assist subsidiary Crown boards in discharging their responsibilities for overseeing and directing the management of the Crowns. CIC is committed to implementing governance, reporting and disclosure practices consistent with those of publicly-traded companies where such practices can reasonably be applied in the public sector environment. CIC also provides governance for the Crown sector through the provision of strategic direction and performance management oversight, including quarterly financial and performance reporting to the CIC Board of Directors.

Strategic and Performance Management Model

CIC communicates shareholder direction to its subsidiary Crown corporations and monitors their performance against targets and measures approved by the CIC Board. The Strategic and Performance Management Model below demonstrates how strategic direction is relayed and performance is managed in the Crown sector.



Key Elements of the Model

1. **Strategic Shareholder View**

   The first stage in the process is the development of the Crown Sector Strategic Plan, led by CIC. The Crown Sector Plan articulates shareholder expectations and provides medium to long-term direction to the Crown sector. It also provides a guiding vision statement, mission and common business values along with outlining the strategic planning linkages and processes between the holding company and the subsidiary Crown corporations.

2. **Subsidiary Crown Corporation**

   The second stage is the development of the subsidiary Crown's Corporate Strategic Plan, demonstrating alignment to the shareholder direction contained within the Crown Sector Strategic Plan. Each subsidiary Crown then prepares a comprehensive Performance Management Plan which includes a Balanced Scorecard with measures and targets that link to the broad strategic directions established in the Crown Sector Strategic Plan and its Corporate Strategic Plan.

   The Crown corporations construct their balanced scorecards around four generic perspectives: Public Purpose, Customer & Stakeholder, Innovation & Learning, and Financial. The Crowns may customize their Balanced Scorecards according to their unique needs and circumstances, as long as they reflect the general intent of those four core perspectives.

3. **Performance Management Approval and Reporting**

   The third stage is approval of each subsidiary Crown's Performance Management Plan by the Holding Company. Every year, the CIC Board reviews and approves each Crown's Performance Management Plan for the upcoming year. In addition, these plans are monitored throughout the year, with quarterly reviews and reports submitted to the CIC Board.

   In addition to approving the performance objectives, the CIC Board determines the capital allocation among Crown corporations for reinvestment, debt reduction and dividends.

Governance of Subsidiary Crowns

CIC works with its subsidiary Crown corporations' boards of directors to assist them in adopting and implementing high standards of corporate governance. Key CIC governance initiatives are set out below.

Accountability and Transparency

CIC continues to support the work of the Crown Board Audit & Finance Committee Chairs Forum established to monitor developments in audit committee functioning, auditor oversight and financial reporting. In 2006, the Forum met to discuss the development of a centralized internal audit function for smaller Crowns with fewer resources, whistle blowing polices that address concerns from external parties, CEO/CFO certification, and new financial reporting guidelines applicable to the public sector.

Communicating Shareholder Expectations

Open and frank exchange of information between the shareholder and the subsidiary Crown boards supports CIC's commitment to accountability and transparency in the Crown sector. In 2006, the governance partners shared information and expectations in a variety of ways, including: quarterly meetings between the chairs of the Crown boards and senior CIC officials; regular reports from the Crown board chairs to the CIC Board highlighting major Crown board activities, corporate initiatives and significant risks to the Corporation; and meetings of the CIC President with the Presidents of the subsidiary Crowns. At a strategic planning session held for the Crown boards in February 2006, a member of the CIC Board addressed the subsidiary Crown boards regarding the shareholder's view of the future of the Crowns and the subsidiary boards' contributions to achieving a vibrant Crown sector.

Board Renewal

CIC's board appointment policies and practices are merit-based and aimed at recruiting well-qualified individuals who have the skills required to add value to board decisions and who represent the diversity of the population. CIC has increased its efforts to enhance representation from northern Saskatchewan, women, youth and Aboriginal representatives.

Board Evaluation and Development

All subsidiaries conduct annual evaluations of board performance. In 2006, the boards completed director peer assessments and evaluated the performance of board committees and committee chairs. CIC sponsors training sessions to assist directors in addressing identified areas for improvement and staying abreast of governance trends. In 2006, CIC organized sessions for the Crown boards related to strategic planning, enhancing board effectiveness, audit committee best practices, and financial literacy.

CIC's Holdings

History and Principles of Public Enterprise

Public enterprise has played a vital role in Saskatchewan's economy and in the lives of Saskatchewan people for more than a century. Public enterprise is defined as government ownership of corporations or other significant investments in businesses, on behalf of the people. In 1901, four years before Saskatchewan joined Confederation, farm groups appealed to the territorial government for assistance because there were no insurance companies to provide coverage to farmers. The government responded by enacting a mutual hail insurance ordinance to insure crops against hail, at cost, with a sharing of risk.

This experience led residents to ask government to step in to provide certain essential services in other areas where services were either not offered by private companies, or not available to all residents on a fair and equitable basis. These businesses established and owned by government became known as "Crown corporations".

The four guiding principles were that the services provided by these Crown corporations should be:

- universal, or available to everyone;
- reliable;
- of high quality; and
- offered at a reasonable cost.

→ These principles remain true today. The priority of Saskatchewan's Crown corporations is to serve Saskatchewan people first. The Crowns must also balance public policy objectives with commercial and financial objectives. They are expected to contribute to the economy and to provide a good return on investment to their shareholders, the people of Saskatchewan.

2006 Summary Information

The following pages include summary information for 2006 for each of CIC's wholly-owned subsidiary Crown corporations, and its investment in NewGrade Energy Inc. For more detailed information on these holdings, see pages 50 to 68 or refer to the Crowns' individual annual reports, which are posted on their web sites. For the purposes of this section, total employees refers to the number of people employed by each Crown during the fiscal year. This includes all full-time, part-time, casual, temporary, and contract employees, as well as all interns, co-op and summer students. SaskTel's number for total employees also includes 413 people who were employed by the company outside the province.

Information Services Corporation of Saskatchewan (ISC)

Information Services Corporation (ISC) of Saskatchewan is the provincial Crown corporation responsible for the administration of land titles, geographic information systems (GIS), surveys, mapping and interests in personal property.

ISC was formed as a corporation in January 2000, but has a history that predates the province itself. ISC provides valued customer-focused services such as the Land Registry, the Saskatchewan Personal Property Registry (SPPR), the Survey Plan Registry, and Geomatics services to customers inside and outside of Saskatchewan.

2006 Overview

President	Mark MacLeod
Total employees	248
Assets	$42.2 million
Revenue	$47.7 million
Profit	$8.7 million
Web site	www.isc.ca
Inquiry	1-866-275-4721

Investment Saskatchewan Inc. (IS)

Investment Saskatchewan was formerly known as CIC Industrial Interests Inc. It became a stand alone subsidiary in September 2003. The corporation's mandate is to enhance Saskatchewan's long-term economic growth and diversification through the provision of investment capital and financing, and to ensure prudent management of commercially viable investments. Effective November 1, 2006, Investment Saskatchewan outsourced the management of its investment portfolio to a new entity called Victoria Park Capital Inc.

2006 Overview

Managing Director	Cliff Baylak
Total employees	5*
Assets	$1.4 billion
Revenue	$157.0 million
Profit	$72.9 million
Web site	www.investsask.com
Inquiry	(306) 787-7200

* following outsourcing of the investment portfolio November 1, 2006.

Saskatchewan Development Fund Corporation (SDFC)

Saskatchewan
Development Fund Corporation

The Saskatchewan Development Fund Corporation was established in 1974 to manage a mutual fund open to investment by Saskatchewan residents. The corporation later expanded its product line by offering: RRSPs, Deferred Profit Sharing Plans and term-certain annuities. By 1982 the mutual and annuity funds had grown to a combined total of about $42 million. In 1983 the corporation discontinued the sale of new investments. Since then, it has focused on meeting the needs of the remaining clients and on the orderly wind-down of the remaining assets.

2006 Overview

General Manager	Don Axtell
Assets	$2.8 million
Revenue	$157.0 thousand
Profit	$70.8 thousand
Year end market value of the Mutual Fund	$3.3 million
Inquiry	(306) 787-1645

Note: The corporation has no direct employees. CIC staff provide executive and administrative services to the corporation. The corporation does not maintain a web site. A copy of the 2006 annual report can be obtained by contacting the corporation at (306) 787-1645.

Saskatchewan Government Growth Fund Management Corporation (SGGFMC)

SASKATCHEWAN GOVERNMENT GROWTH FUND
MANAGEMENT CORPORATION

SGGFMC is a wholly-owned subsidiary of CIC which was established in 1989. It has operated under the federal government's Immigrant Investor Program (IIP), creating and managing subsidiary fund companies to raise venture capital from new Canadian immigrants. The IIP ended on March 31, 1999, but the capital raised will need to be managed for at least the next four years. Management services were contracted to Crown Capital Partners Inc. on October 1, 2000.

2006 Overview

President	Don Axtell
Assets	$3.5 million
Revenue	$1.4 million
Loss	$0.9 million
Total assets under management	$59.2 million
Web site	www.sggfmc.com
Inquiry	(306) 787-7259

Note: SGGFMC has no direct employees. CIC staff provide executive and administrative services to the corporation.

Saskatchewan Government Insurance (SGI)

SGI was established in 1945 to provide affordable, quality insurance to Saskatchewan people. Under the trade name SGI CANADA, which is a wholly-owned subsidiary of CIC, it conducts a competitive property and casualty insurance business in seven Canadian provinces. It offers a comprehensive line of home, tenant, farm, automobile extension and commercial coverage.

SGI also administers the Saskatchewan Auto Fund, the province's compulsory auto insurance program and the provider of its driver's licensing and vehicle registration system. The Auto Fund is a not for profit operation which does not receive money from, or pay dividends to, the province.

2006 Overview

	SGI CANADA	Auto Fund
President	Jon Schubert	
Total employees	1,711	
Assets	$662.5 million	$1.3 billion
Revenue	$321.4 million	$641.1 million
Profit	$52.1 million	$101.1 million
Web site	www.sgicanada.ca	www.sgi.sk.ca
Inquiry	1-800-667-9868	

Saskatchewan Opportunities Corporation (SOCO)

SOCO is a wholly-owned subsidiary of CIC which was established in 1994.

SOCO's mission is to support the growth and success of Saskatchewan's technology sector. It fulfills this mission through the development and operation of research parks on the campuses of the province's two universities in Saskatoon and Regina, as well as a forest sector building in downtown Prince Albert.

2006 Overview

President	Douglas Tastad
Total employees	119
Assets	$36.6 million
Revenue	$24.6 million
Profit	$4.9 million
Web site	www.innovationplace.com
Inquiry	(306) 933-6295

Saskatchewan Power Corporation (SaskPower)

SaskPower

SaskPower is a wholly-owned subsidiary of CIC that was established as the Saskatchewan Power Commission in 1929. Its purpose was to provide safe, reliable, cost-effective power to Saskatchewan people. Today SaskPower is the principal supplier of electricity in Saskatchewan, providing services to more than 445,000 residential, farm, commercial, oilfield, power and reseller customers.

SaskPower operates three coal-fired power stations, seven hydroelectric stations, four natural gas stations and two wind facilities, with an aggregate generating capacity of 3,214 megawatts (MW). SaskPower also has contracted capacity of 454 MW. Total available capacity is 3,668 MW.

2006 Overview

President	Patricia Youzwa
Total employees	3,166
Assets	$4.2 billion
Revenue	$1.5 billion
Profit	$92.7 million
Web site	www.saskpower.com
Inquiry	1-888-757-6937

SaskPower maintains more than 155,000 kilometres of power lines, 52 high voltage switching stations and 174 distribution substations. It also has interconnected transmission lines at the borders of Alberta, Manitoba, and North Dakota, where it can sell excess product or import power to meet demands at home.

Saskatchewan Telecommunications (SaskTel)

SaskTel

SaskTel is a wholly-owned subsidiary of CIC. SaskTel is the leading full service communications provider in Saskatchewan, offering competitive voice, data, dial-up and high speed internet, entertainment and multimedia services, security, web hosting, text and messaging services, and cellular and wireless data services over its digital networks.

SaskTel also provides security monitoring services through SecurTek, directory services through DirectWest, in-room communications services to the healthcare sector through Hospitality Network, telecommunications consulting service through SaskTel International, and has an out-of-province sales and service channel in Alberta and British Columbia. SaskTel subsidiaries have a significant presence throughout Canada and internationally.

2006 Overview

President	Robert Watson
Total employees	5,111
Assets	$1.2 billion
Revenue	$1.0 billion
Profit	$72.5 million
Web site	www.sasktel.com
Inquiry	1-800-727-5835

Saskatchewan Transportation Company (STC)

STC
The Bus Company

STC is a wholly-owned subsidiary of CIC. The mandate of the company is essentially the same today as it was when it was established in 1946 – the provision of transportation and express services to as many communities as possible throughout Saskatchewan. Because many of the bus routes do not have sufficient passenger numbers or express volumes to enable the company to recover all of its costs, the company must be subsidized to enable services to be maintained.

STC owns and operates depots in Regina, Saskatoon and Prince Albert, and has a network of 190 agencies throughout the province. It operates 28 bus routes, travels about 3.2 million miles per year, and serves 278 communities.

2006 Overview	
President	Ray Clayton
Total employees	244
Assets	$24.3 million
Revenue	$15.5 million
Loss before grant	$5.7 million
Web site	www.stcbus.com
Inquiry	(306) 787-3347

The company's goals are to continue to provide safe, courteous, reliable and affordable service to as much of the province as is practical, and to increase the customer base as much as possible, while minimizing the subsidy that is required.

Saskatchewan Water Corporation (SaskWater)

SaskWater
The Quality Advantage

SaskWater is a wholly-owned subsidiary of CIC which was established in 1984. SaskWater's mandate was revised in 2002 to serve as Saskatchewan's Crown water utility. The corporation is headquartered in Moose Jaw.

SaskWater designs, builds, owns and operates water supply and wastewater systems, providing quality water and cost-effective wastewater services to Saskatchewan industries, municipalities, First Nations and rural water user groups.

2006 Overview	
President	Stuart Kramer
Total employees	96
Assets	$73.3 million
Revenue	$18.5 million
Profit before grant	$0.3 million
Web site	www.saskwater.com
Inquiry	1-888-230-1111

SaskWater owns seven water treatment plants, three wastewater facilities, 30 booster stations and more than 770 kilometres of pipeline. The corporation also operates customer-owned systems and provides operating training to Saskatchewan First Nations.

SaskEnergy Incorporated (SaskEnergy)

Saskatchewan's provincially owned natural gas system began operations in 1952. SaskEnergy, which is a wholly-owned subsidiary of CIC, was formed in 1988 to continue providing natural gas transmission and distribution services across the province.

The system has grown substantially over the years, with service now extended to more than 90 per cent of Saskatchewan communities. Today SaskEnergy provides safe, reliable and economical natural gas service to more than 332,000 residential, farm, commercial and industrial customers in the province.

2006 Overview

President	Doug Kelln
Total employees	1,031
Assets	$1.3 billion
Revenue	$1.3 billion
Profit	$53.2 million
Web site	www.saskenergy.com
Inquiry	1-800-567-8899

NewGrade Energy Inc. (NewGrade)

NewGrade operates a heavy oil upgrader in Regina in conjunction with a refinery owned by Consumers' Co-operative Refineries Limited. (CCRL), which is a wholly-owned subsidiary of Federated Co-operatives Ltd. of Saskatoon. The upgrader processes heavy crude oil into synthetic crude oil. It was built in 1988 and began operation in November of that year.

CIC and CCRL each have a 50 per cent interest in NewGrade. NewGrade was a direct investment by CIC, not CIC Industrial Interests Inc. (CIC III), so it stayed with the holding company when CIC III became a stand-alone subsidiary and was renamed Investment Saskatchewan.

2006 Overview

Total employees	162
Assets*	$149.8 million
Revenue*	$865.3 million
Profit*	$102.9 million

* Represents CIC's 50% share

Economic Contribution of the Crown Sector

This section is designed to show the contribution of the provincial Crown sector (CIC and its subsidiary Crowns) to Saskatchewan's economy. We have included a Crown in a category only if it has something to report in that category. For example, we have excluded CIC from the Partners and Capital spending categories. SGGFMC and SDFC have been excluded from all categories. The numbers for SGI include SGI CANADA and the Auto Fund.

Employees	Regina	Rest of province	Total
SaskPower	1,287	1,879	3,166
SaskTel	2,220	2,478	4,698
SaskEnergy	466	565	1,031
SGI	1,168	543	1,711
STC	124	120	244
SOCO	25	94	119
SaskWater	6	90	96
ISC	201	47	248
IS	23	1	24
CIC	77	5	82
Total	5,597	5,822	11,419

SaskTel also employs 413 people outside the province, for a total of 5,111 employees. That brings the total number of Crown employees to 11,832 in 2006.

IS had five remaining employees, all located in Regina, after it outsourced the management of its investment portfolio November 1, 2006.

Employees: Includes all full-time, part-time, casual, temporary, and contract employees, as well as all interns, co-op and summer students. The purpose is to provide a picture of the total number of people employed by each Crown in Saskatchewan during the fiscal year.

Local purchasing	
SaskPower	$813.7 million
SaskTel	$566.5 million
SaskEnergy	$169.9 million
SGI	$293.3 million
STC	$21.0 million
SOCO	$32.0 million
SaskWater	$12.3 million
ISC	$45.2 million
IS	$4.2 million
CIC	$7.4 million
Total	$1.96 billion

Local purchasing: The purpose is to show the effect of Crown spending on communities. The totals for each Crown show the amount spent on goods and services from Saskatchewan suppliers. They also include employee earnings, a significant portion of which is spent in the employee's community.

Suppliers supported	
SaskPower	4,846
SaskTel	4,300
SaskEnergy	3,595
SGI	4,407
STC	1,200
SOCO	755
SaskWater	198
ISC	375
IS	151
CIC	225
Total	20,052

Suppliers supported: This includes the number of Saskatchewan-based suppliers from whom each Crown made significant purchases of goods and services. It does not include smaller purchases such as restaurant meals.

Partners	Number	Type
SaskTel	102	dealers
SaskEnergy	129	residential network members
	26	commercial network members
SGI	277	independent brokers
	422	independent motor licence issuers
STC	190	agents outside the cities which have depots
	12	private bus and freight lines with interline agreements
SaskWater	2	associations representing engineers and municipal governments
ISC	2	technology partners
IS	44	investees
	23	investment partners
Total	1,229	

Partners: The purpose is to show the number and types of businesses in Saskatchewan which have partnerships with Crowns to provide services and/or products to Saskatchewan people.

Community donations/ sponsorships	Events/ Organizations	Communities	Total
SaskPower	867	205	$1.4 million
SaskTel	1,363	157	$2.6 million
SaskEnergy	1,268	307	$1.6 million
SGI	308	33	$724,000
STC	15	2	$10,000
SOCO	37	3	$38,000
SaskWater	40	19	$33,800
ISC	35	8	$247,000
IS	21	2	$112,000
CIC	39	5	$163,000
Total	3,993	741	$6.93 million

Community donations: Each Crown has its own donations and sponsorships policy and makes its own decisions about organizations and events it will sponsor. The focus is on Saskatchewan-based charities, community events and organizations. The total number of events/ organizations may include duplicates because some Crowns may have sponsored the same event/organization. As well, the total number of communities may count the same community several times.

Capital spending	
SaskPower	$284.6 million
SaskTel	$228.5 million
SaskEnergy	$71.5 million
SGI	$6.5 million
STC	$4.5 million
SOCO	$17.5 million
SaskWater	$5.6 million
ISC	$5.1 million
Total	$623.8 million

Capital spending: The purpose is to show the effect of Crown capital spending on communities.

Policy and Programs

Utility Bundle Commitment

For the third consecutive year, Government kept its commitment to provide Saskatchewan families with the lowest-cost bundle of basic utility rates in Canada. The bundle includes residential electricity and natural gas, basic phone service, and car insurance.

Premier Lorne Calvert made the utility bundle commitment in 2003. In 2004, Government kept the commitment by providing a rebate of $137 to 380,000 Saskatchewan households. The commitment was kept in 2005 as a result of good management of rates by the Crowns, and the subsidization of SaskEnergy rates for November and December under the Saskatchewan Energy Share program. The lowest-cost bundle was achieved in 2006 through good management of rates by the four major Crowns – SaskPower, SaskEnergy, SGI and SaskTel – so there was no need to subsidize rates or provide a year-end utility bundle rebate.

An independent third party, Meyers Norris Penny LLP, has again reviewed CIC's cross-Canada comparisons and bundle calculations, and validated the results. The Meyers Norris Penny report can be found on CIC's web site at **www.cicorp.sk.ca.**

2006 Provincial Utility Bundle Cost Rankings

Province	Total Bundle $	Variance to Saskatchewan $	Rank
British Columbia	3,994.17	575.86	3
Alberta	4,479.08	1,060.77	5
Saskatchewan	3,418.31	0.00	1
Manitoba	3,453.95	35.64	2
Ontario	6,599.35	3,181.04	10
Quebec	4,152.84	734.53	4
New Brunswick	5,325.50	1,907.19	6
Nova Scotia	5,725.18	2,306.87	8
Prince Edward Island	5,530.35	2,112.04	7
Newfoundland	5,974.86	2,556.55	9

Notes: The calculations do not represent actual consumption charges in each jurisdiction. They represent Saskatchewan's consumption patterns with each jurisdiction's rates. All costs shown are for the full calendar year.

Calculations for individual bundle components were based on the annual cost for:

- single line residential touch-tone phone service;
- 8,100 kilowatt hours of electricity;
- 3,550 cubic metres of natural gas; and
- insurance rates for the 34 most common vehicles registered in Saskatchewan and a selection of driver profiles.

These costs include any rebates and any auto insurance discounts such as good driver discounts. The costs do not include municipal surcharges, or provincial or federal taxes.

Rate Review Process

Saskatchewan's Rate Review Process has been in existence since 2000, when the Saskatchewan Rate Review Panel (SRRP or the Panel) was established as an advisory body to Government. The Panel's mandate was recently extended to the end of 2009.

SRRP's role is to conduct reviews of rate change proposals from SaskPower, SaskEnergy and SGI (on behalf of the Saskatchewan Auto Fund). The Panel considers the interests of the customer, the Crown, and the public, then provides an opinion to the Minister of CIC on the fairness and reasonableness of the proposed changes. The Saskatchewan Government makes the final decision on rate change requests.

SRRP conducted three reviews during 2006. The Panel recommended a decrease of 10 per cent in SaskEnergy's commodity rate effective April 1, 2006, followed by a rate increase of 5.4 per cent effective November 1, 2006, as well as an average system-wide increase of 4.3 per cent for SaskPower, effective February 1, 2007. Government approved SRRP's recommendations in all three instances.

The members of the Panel during 2006 were: Boris Kishchuk, Saskatoon, Chair; Jack Boan, Regina, Vice Chair; Jo-Ann Carignan-Vallee, Assiniboia; Bernadette Garrett, Landis; Joan Meyer, Swift Current; Pamela Smith, Regina; and Linda Thauberger, Regina. Along with the extended mandate announced in late 2006, the Panel's membership was also renewed, with appointments taking effect January 1, 2007.

Saskatchewan Rate Review Panel at January 1, 2007

Name	Designation	Community of Residence	Term of Service
Alison Renny	Chair	Saskatoon	to December 31, 2009
Pamela Smith	Vice Chair	Regina	to December 31, 2008
Robert Bundon	Member	Prince Albert	to December 31, 2009
Jo-Ann Carignan-Vallee	Member	Assiniboia	to December 31, 2007
Louis Gardiner	Member	Ile A La Crosse	to December 31, 2009
Bernadette Garrett	Member	Landis	to December 31, 2008
Joan Meyer	Member	Swift Current	to December 31, 2007
Linda Thauberger	Member	Regina	to December 31, 2008

For more information on SRRP, see the Panel's web site at **www.saskratereview.com**.

Saskatchewan Energy Share

Saskatchewan Energy Share is a plan announced by Government in November 2005 to provide short and long-term assistance to Saskatchewan residents to help them deal with rising home heating costs.

The short-term assistance shielded consumers from high costs for the five winter months (November 1, 2005 through March 31, 2006) by capping the SaskEnergy rate at $7.95 per Gigajoule (GJ) for customer classes subject to rate review. With the actual cost of gas at $10.88 per GJ, the result was a subsidy of $2.93 per GJ. The short-term assistance also included additional assistance for low income people, a $200 grant for people and businesses which used fuel oil or propane as their primary heating source, and a $200 grant for people and businesses located on the Saskatchewan side of Lloydminster.

The province's General Revenue Fund (GRF) made a payment of $53.6 million to CIC in 2005. This payment was used to pay down the deficit in SaskEnergy's gas cost variance account ($31.7 million) and to pay down the actual cost of gas for November and December 2005 ($21.9 million).

In 2006, the GRF paid CIC an additional $21 million – $20.5 million to pay down the actual cost of gas for January through March 2006, and $0.5 million for the Lloydminster subsidy. Other government agencies delivered the additional assistance for low income people and the fuel oil and propane grant, so costs are not included in CIC's annual report.

Six energy conservation programs were offered under the long-term assistance portion of the Saskatchewan Energy Share plan:

- Expansion of the PST exemption on ENERGY STAR appliances to include furnaces, boilers and heat pumps;
- A rebate of up to $45 on ENERGY STAR qualified programmable thermostats;
- Expansion of SaskEnergy's Share the Warmth home energy efficiency project;
- Matching of the federal grant under the EnerGuide for Houses program;
- Expansion and cost-sharing of the federal EnerGuide for low income households; and
- A new Saskatchewan EnerGuide program for moderate income homeowners.

The energy conservation programs were forecast to cost Government about $37.3 million. To the end of February, 2007, $10.4 million had been spent, with another $18.2 million committed, for a total of $28.6 million. The original budget was under spent primarily as a result of the Federal Government canceling the EnerGuide for Houses program in May 2006. The Province stepped in and re-established the provincial program in August 2006.

SASKATCHEWAN Energy Share

Commitment to Entrepreneurship

CIC has helped to establish three investment funds which support the growth and development of small businesses in Saskatchewan. These funds are designed to complement investments made by Investment Saskatchewan Inc. Investment Saskatchewan, through its portfolio manager Victoria Park Capital, has a mandate to invest in projects which require more than $3 million in financing.

CIC and SaskCentral (on behalf of Saskatchewan's credit unions) established **The Entrepreneurial Foundation of Saskatchewan** and **The Saskatchewan Entrepreneurial Fund** in November 2005. The Foundation provides business advice, mentoring, and support services to help existing and aspiring entrepreneurs develop investment-ready business plans. These business plans are then eligible for investments from the Fund, which provides financing of up to $1 million.

CIC has committed up to $1.8 million in operating capital for the Foundation over five years. CIC's contribution for 2006 was $380,000. The Foundation, which has offices in Saskatoon and Regina, received 273 inquiries in 2006 and made four investment recommendations to the Fund, three of which were approved for financing. Three additional deals closed with outside financing.

CIC has also committed up to $25 million to the Fund over five years, matched by SaskCentral. The Fund is managed by PFM Capital Inc. of Regina, which also committed $1 million to the Fund. In 2006, $2.2 million was invested in three projects.

Guy Lonechild, Vice Chief, FSIN (left) and CIC Minister Maynard Sonntag at the launch of the First Nations and Métis Fund

CIC established the **First Nations and Métis Fund** in May 2006 to make investments in new or expanding businesses which are majority-owned or controlled by First Nations or Métis people. The Fund's goals are to create employment for Aboriginal people, to facilitate economic growth, and to build and grow expertise in investment management. In developing the Fund, CIC worked closely with First Nations organizations, including the Federation of Saskatchewan Indian Nations and the Saskatchewan Indian Equity Foundation, as well as Métis organizations including the Clarence Campeau Development Fund.

The Fund will make investments of between $1 million and $3 million in businesses in Saskatchewan's key strategic growth sectors: value-added agriculture; advanced technology; energy; mining; forestry and forestry developments; and manufacturing, as well as Aboriginal-themed tourism.

CIC has committed up to $20 million to the Fund over four years. The Fund is administered by CIC staff and managed by Westcap Mgt. Ltd. of Saskatoon. During 2006, there were more than 150 inquiries to the Fund. At year-end, due diligence was proceeding on 14 files, with one investment of $1.5 million approved.

First Nations and Métis Fund

Subsequent to year end, CIC formed a partnership with Saskatchewan's credit unions to establish the **Apex Investment Fund.** This Fund will make investments of between $1 million and $4 million in new or expanding small or medium-sized businesses in Saskatchewan, with an emphasis on projects in smaller cities and rural communities. Projects will be in Saskatchewan's key strategic sectors: value-added agriculture, advanced technology, manufacturing, energy, mining, and forestry. At least half of all projects will be located outside Regina and Saskatoon.

CIC is committing up to $60 million to the Fund over seven years. A group of credit unions and other partners, including Conexus Credit Union, Cornerstone Credit Union and Innovation Credit Union, has committed up to $40 million over the same period. The Fund manager is PFM Capital Inc. of Regina.

In addition to the investment funds, CIC has allocated $2 million over four years to an **Innovation Acceleration Initiative**. Under this initiative, CIC will enter into collaborative agreements with Saskatchewan businesses and the province's academic and research institutions. The goal is to provide modest funding that will accelerate the transfer of technology from the laboratory bench to the commercial market.

Commitment to Young and Aboriginal People

Premier Lorne Calvert announced in 2003 that CIC, on behalf of the Crown sector, would invest $20 million over the next five years to hire more young and Aboriginal people in the CIC Crown corporations. The goals are:

- To renew the workforce in the Crowns, where more than half of the current employees (about 5,000 people) are expected to retire by 2017;
- To have the Crowns, which are among Saskatchewan's largest companies and biggest employers, better reflect the diversity of the population; and
- To offer young and Aboriginal people a bright future in Saskatchewan by providing them with opportunities to stay in the province to pursue their careers and raise their families.

Since 2003, CIC has entered into partnerships with Saskatchewan's educational institutions and developed a number of programs to help prepare young and Aboriginal people for future careers in the Crowns.

Gradworks provides 12-month internships in the Crowns for recent post-secondary graduates who have little or no work experience. The internships provide them with mentoring, and with work experience which it is hoped will lead to permanent jobs in the Crowns or other businesses. For internship postings and additional information, see **www.gradworks.ca**.

At a Gradworks reception: Shana Ring, Supervisor, Leadership & Learning, SaskPower (left) and Sara Dzuba, a Human Resources Analyst intern with ISC who has since accepted permanent employment with the Saskatchewan Public Service Commission

There were 83 internships in the Crowns in 2006, in addition to 89 in 2005 and 15 in 2004. Gradworks was originally intended to provide 250 internships over five years, but the number was increased to 325 due to the popularity of the program. Gradworks is also targeting some internships for rural locations, with 11 placements so far. To February 2007, 143 people had completed their internships, and 94 per cent of them had found permanent jobs. Eighty-one former interns are now employed in the Crown sector.

Gradworks is expected to cost about $9 million over five years. Most of that amount, $6.9 million, will be spent on interns' salaries. Interns receive a base salary of $2,450 per month, which the Crowns may top up. To February 2007, $3.5 million had been spent on the program.

CIC's partnership programs with the University of Regina and First Nations University of Canada include:

- The CIC Aboriginal Bursary Program, which provides financial assistance of $2,500 per semester or $5,000 per full academic year. To the end of 2006, 204 bursaries had been awarded, with some students receiving multiple bursaries. In 2006, 51 bursaries were awarded for the winter semester and 56 for the fall semester;
- An Aboriginal Student Recruitment and Retention Program, which includes a number of services such as career planning and an Aboriginal Student Centre. The program will serve up to 200 new students and 750 returning students each year, with the goal of increasing recruitment and retention by 10 per cent annually; and
- The Intercultural Leadership Program, which offers a certificate program to prepare Aboriginal and non-Aboriginal students for potential leadership roles in the public and private sectors. Fourteen students were enrolled in the fall 2006 semester, with up to 115 expected to take part over the life of the program.

Total cost of these programs is expected to be about $4.9 million. To December 31, 2006, spending was $1.6 million.

CIC's partnership programs with the University of Saskatchewan include:

- A Mathematics and Science Enrichment Program to help Aboriginal students prepare for further study and/or careers in the maths and sciences. Forty-eight students were enrolled in the program during the 2006-07 academic year, with another 48 the previous year;
- An Aboriginal Student Achievement Program, which includes a number of initiatives aimed at recruitment and student success, such as: tutoring, orientation services, life skills coaching, and student advising. It also includes the Aboriginal First Year Experience Program (AFYEP), which offers classes in English, psychology and nutrition. In 2006-07, 101 students participated in the AFYEP, while another 59 took part the previous year; and
- A Student Retrieval and Employment Program with the Indian Teacher Education Program, to address the needs of Aboriginal youth who have left school. When the pilot program is developed, it is expected to help up to 50 students re-enter the school system.

Total cost of these programs is expected to be about $2.5 million. To December 31, 2006, spending was just over $1 million.

Other programs under the $20 million initiative include:

- A partnership with the Saskatchewan Indian Institute of Technologies to help Aboriginal people prepare for jobs as gas utility operators with SaskEnergy. This program was held twice in 2006, with 13 candidates participating in each session;
- The Aboriginal Success in Trades and Technologies program at SIAST, which assists students in academic, personal and career preparation to help them successfully complete their courses. Nine students participated in the first year of the program in 2006; and
- A partnership with INROADS to recruit and employ Aboriginal students in the Crowns during the summer. There were eight of these internships in the Crowns in 2006.

Myrna Yuzicapi, Aboriginal student counselor, speaks at the launch of the Aboriginal Success in Trades and Technologies program at SIAST Kelsey Campus in 2006

Byron McKay (left) and Kelly Daniels, two students who participated in the Aboriginal Success in Trades and Technologies program at SIAST Kelsey Campus in 2006

Commitment to Greater Accountability

CIC and its subsidiary Crowns are committed to being more open and accountable to their owners – the people of Saskatchewan. Part of this commitment includes conducting independent third party reviews of proposed investments. During 2006, one review was conducted:

SaskTel
- DirectWest expansion in Winnipeg

Since 1997, CIC has had guidelines for reporting significant transactions to the Crown and Central Agencies Committee of the Legislature. A significant transaction is broadly defined as one that is material (value greater than one per cent of the Crown's assets), and outside the ordinary course of business. This includes the purchase or sale of a major asset or investment, assuming a major liability, or a major change in the terms and conditions of an existing investment. Crowns must also report transactions that do not fall under these conditions if they are judged to be of a sensitive nature or likely to be of interest to legislators and the public. Transactions must be reported to the Committee within 90 days of their occurrence. The following significant transactions were reported to the Committee in 2006:

SaskEnergy
- Incremental equity advance to Heritage Gas Limited (2 reports)

Saskatchewan Telecommunications Holding Corporation
- Sale of SaskTel shares in Business Watch International

Investment Saskatchewan Inc.
- Commitment of up to $15 million in the form of Debtor-in-Possession financing to Meadow Lake Pulp Limited Partnership
- Terra Grain Fuels Inc. $29.6 million subordinate debenture investment
- Creation of Victoria Park Capital Inc.

Commitment to Environmental Sustainability

CIC and its subsidiary Crowns are committed to leading environmental sustainability, particularly with respect to energy. All Crowns, even those that don't produce significant greenhouse gas emissions, are implementing environmental initiatives or programs to help encourage green office practices such as recycling, reduced paper usage and environmentally friendly office products.

CIC and the Crowns are also looking beyond environmental stewardship to sustainability, which means giving consideration to the environment in the planning and operation aspects of business. The Conference Board of Canada states that sustainable economic growth involves factoring the "cost imposed on the physical environment" into the cost-benefit equation. To support this priority, CIC and its subsidiary Crowns have included performance measures in their balanced scorecards under the Crown sector Performance Management System. These measures are monitored and reported on annually.

CIC Environmental Initiatives

In addition to internal environmental stewardship initiatives, CIC will realize additional return in terms of environmental impacts through its Innovation Acceleration Initiative. It is anticipated that the majority of the collaborative research projects will be on the forefront of developing and commercializing advanced technologies which not only have the opportunity to grow the economy but also contribute to protecting the environment.

Crown Sector Environmental Initiatives

All Crowns reported positive environmental performance results for 2006. Specific Crown corporation activities in energy conservation and the development of new, environmentally friendly technologies include:

- SaskEnergy continues to make significant progress in meeting long-term greenhouse gas emissions reduction targets. In 2006, SaskEnergy reduced emissions by more than 23,000 tonnes;
- In April 2006, STC began a one-year trial program using 2 per cent bio-diesel fuel in all buses out of the Saskatoon depot, which accounts for more than 50 per cent of the STC fleet;
- SOCO, which manages Innovation Place in Saskatoon, the Saskatchewan Forest Centre building in Prince Albert and the Regina Research Park, continues to be a leader in waste reduction and energy efficiency through the reduction of non-renewable energy consumption. The Forest Centre is the first Saskatchewan building to achieve LEED (Leadership in Energy and Environmental Design) GOLD certification from the Canadian Green Building Council, one of only four buildings in the prairies to achieve that designation; and
- SaskPower is assessing several options for its next generation source, including units that will capture and permanently store carbon dioxide.

Environment Minister John Nilson unveiling the commemorative plaque recognizing the Saskatchewan Forest Centre's achievement of LEED Gold certification

The Saskatchewan Forest Centre building in Prince Albert

Corporate Social Responsibility

CIC and its employees are committed to supporting charities and community organizations and events throughout Saskatchewan. CIC revised its corporate sponsorships policy in 2006 to better define its role, the types of events it will consider sponsoring, the information that is required to be included in requests for sponsorship, and CIC's accountability for the expenditure of public funds.

CIC gives priority to sponsoring events, organizations, programs or activities which benefit: disadvantaged people; children and youth; Aboriginal people; and women in non-traditional roles; or those which address education needs; emerging health or social needs; or cultural or recreational needs. Consideration is also given to events which align with CIC's business, policies, programs and/or services, such as: youth/Aboriginal education and/or employment; economic development; innovation; entrepreneurship; and corporate governance. The sponsorships policy is posted on CIC's web site at **www.cicorp.sk.ca**.

CIC provided donations or sponsorships to 39 organizations and events in five Saskatchewan communities in 2006, for a total of $163,000.

United Way is the largest annual fundraising event undertaken by CIC and its employees. For one week in November 2006, employees contributed money by taking part in special events at the office, and by donating through the payroll deduction plan. The corporation matched these contributions, for a total donation of $13,765 to the Regina United Way. That was an increase of 32 per cent over the previous year. CIC was recognized for this achievement by winning the United Way 2006 Spirit Award for Outstanding Campaign Performance in the small and medium business category.

United Way

The United Way 2006 committee (back row) Dawn Stanger, Jared Carlson, Gayle Megson, Leasa Gibbons, Barb Flynn, James Hoffman (front row) Kyla Tomecek, Pat Hunter, Meghan Saunders, Jillian Paragg (missing) Shayla Leier, Christie Donauer

The United Way 2006 Spirit Award for Outstanding Campaign Performance in the small and medium business category

Introduction to CIC's Financial Reporting

Preface

The purpose of the following discussion is to provide the users of CIC's financial statements with an overview of the Corporation's financial performance and the various measures CIC uses to evaluate its financial health. This narrative on CIC's 2006 financial results should be read in conjunction with the audited consolidated and non-consolidated financial statements.

Producing two different views of CIC's operations and results, with consolidated and non-consolidated financial statements, is a cornerstone of our commitment to accountability and transparency. Explanations of the differing purposes of these statements are provided in the next pages.

In addition to the information on CIC's 2006 results, discussions have been expanded to provide more detailed information regarding our performance relative to our business plan, and what this means for the Crown sector in the future.

Forward-Looking Information

Throughout the Annual Report, and particularly in the following discussion, are forward-looking statements. These statements can be recognized by terms such as "outlook," "expect," "anticipate," "project," "continue," or other expressions that relate to estimations or future events. By their nature, forward-looking statements require assumptions based on current information, management experience and historical performance. Forward-looking information is subject to uncertainties, and, as a result, forward-looking statements are not a guarantee about the future performance of CIC and its subsidiary Crown corporations.

Readers should not place undue reliance on forward-looking statements, as a number of factors could cause actual results to differ materially from estimates, predictions and assumptions. Other factors that can influence performance include, but are not limited to: weather conditions, commodity markets, general economic and political conditions, interest and exchange rates, performance and competition in the Crown sector, and regulatory environment. Given these uncertainties, assumptions contained in the forward-looking statements may or may not occur.

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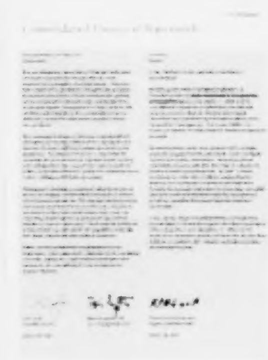
Understanding CIC's Financial Statements

CIC prepares two sets of financial statements, its consolidated financial statements and non-consolidated financial statements.

CIC Consolidated Financial Statements

These statements illustrate CIC's results consolidated with the results of its subsidiary Crown corporations. The financial statements are prepared in accordance with Generally Accepted Accounting Principles in Canada (GAAP) and include:

- Financial results of subsidiary Crown corporations (SaskPower, SaskTel, SaskEnergy, SGI, ISC, Investment Saskatchewan Inc., STC, SaskWater, SOCO, SGGF MC, and SDFC);
- Financial results for CIC's wholly-owned subsidiaries, (Gradworks Inc., CIC Economic Holdco Ltd., First Nations and Métis Fund Inc., and CIC's proportionate share of NewGrade);
- Dividends paid by CIC to the General Revenue Fund (GRF); and
- CIC's operating results and public policy expenditures.

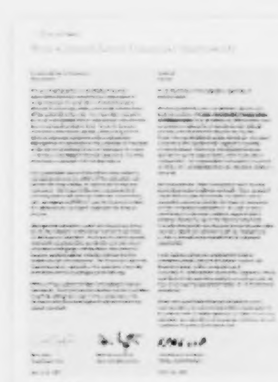


Consolidated earnings represent the total earnings in the Crown sector, taking into consideration the elimination of all inter-entity transactions (i.e., revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC).

CIC Non-Consolidated Financial Statements

Non-consolidated earnings represent CIC's earnings as a shareholder of the Crown sector. These statements assist CIC in determining its capacity to pay dividends to the GRF. The non-consolidated statements have not been and are not intended to be prepared in accordance with GAAP. These statements are intended to isolate the corporation's cash-flow, capital support for certain subsidiary Crown corporations, and public policy expenditures. These financial statements include:

- Dividends from subsidiary Crown corporations;
- Dividends from NewGrade;
- Dividends paid by CIC to the GRF;
- Grants by CIC to subsidiaries; and
- CIC's operating results and public policy expenditures.

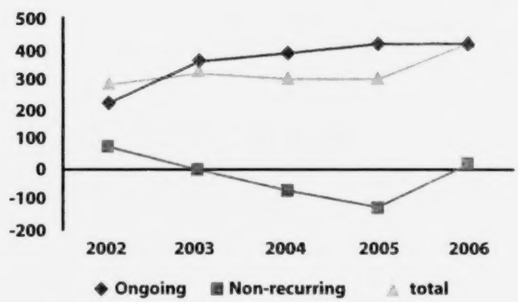


CIC'S 2006 Financial Highlights

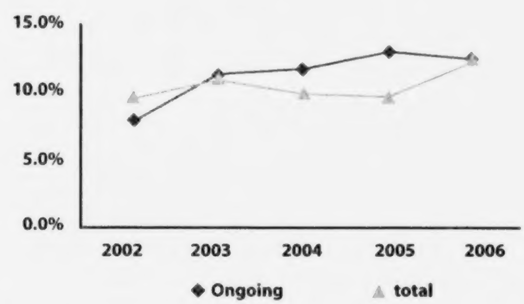
(millions of dollars)	**2006**	2005	2004	2003	2002
Consolidated					
Consolidated Earnings	**441.1**	306.7	312.1	345.4	294.1
Total Consolidated Assets	**9,370.9**	9,248.4	8,139.9	7,874.5	7,998.1
Consolidated Debt[1]	**3,503.5**	3,608.5	3,315.7	3,358.4	3,523.5
Dividend to the GRF	**167.0**	221.0	268.0	200.0	300.0
Non-Consolidated					
Dividend Revenue	**342.7**	299.9	347.6	293.2	157.1
Non-Consolidated Earnings	**322.3**	248.1	275.0	274.3	262.8
Ratios					
Consolidated Return on Equity	**12.6%**	9.2%	9.6%	11.0%	9.6%
Non-Consolidated Cash Return on Equity	**10.2%**	14.3%	17.6%	13.5%	19.3%

1 Consolidated debt includes long-term debt, long-term debt due within one year, and notes payable.

Consolidated Earnings



Consolidated Return on Equity



Non-Consolidated Earnings and Dividends to the GRF

CIC (non-consolidated) posted strong results in 2006. Earnings of $322.3 million allowed CIC to declare a dividend to the GRF of $167.0 million. This compares favourably to its dividend target of $160.0 million which was based on an earnings target of $147.9 million.

Achieving Corporate Priorities in 2006

A Balanced Approach to Shareholder Return

- CIC is focused on providing a reasonable return to the Province. This priority must be balanced with its public policy initiatives.
- In 2006, CIC declared a dividend of $167.0 million to the GRF.
- CIC's consolidated return on equity was 12.6 per cent and its non-consolidated cash return on equity was 10.2 per cent in 2006.
- These returns were accomplished while supporting the following public policy initiatives:
  - Achievement of the lowest cost utility bundle in Canada in conjunction with Saskatchewan Energy Share;
  - Continued support of Gradworks Inc., an internship program for the Crown sector;
  - Support of STC transportation routes in the province;
  - Support of construction of STC's new head office and bus terminal in Regina;
  - CIC Economic Holdco Ltd., a joint venture interest in the Saskatchewan Entrepreneurial Fund Joint Venture; and
  - First Nations and Métis Fund Inc., a venture capital fund.

Financial Sustainability

- CIC monitors the financial resources of the Crown sector to ensure that financial performance targets are achieved in the current year and that the financial sustainability of the Crown sector is maintained for the future. This includes important functions such as:
  - Forecasting available cash flows over the planning horizon for dividend payments to the GRF;
  - Ensuring Crown corporations have sufficient capital available to maintain and/or expand existing infrastructure; and
  - Examining capital structures of Crown corporations (generally consisting of debt and equity) to maintain financial health.
- All decisions that impact financial resources, such as dividends from the Crown sector, dividends to the GRF, or funding of a public policy initiative, are assessed within the context of financial self-sufficiency, while contributing to the government's priorities for the Crown sector.
- During 2006, CIC's allocation of financial resources included the following:
  Support of the above noted public policy initiatives;
  - Declaration of a dividend to the GRF of $167.0 million;
  - Approval of capital spending plans of subsidiary Crown corporations;
  - Funding of $4.1 million to First Nations and Métis Fund Inc.; and
  - Funding of $0.6 million to CIC Economic Holdco Ltd. (Saskatchewan Entrepreneurial
  - Fund Joint Venture).

Enhancing Accountability

- CIC continues to advance its financial reporting practices in support of transparency and accountability. Examples of current practices to facilitate accountability include:
  - Quarterly reports for the Crown sector, available to the public via CIC's website;
  - Disclosure of budget information in the Government of Saskatchewan's summary financial plan;
  - Annual publication of CIC's non-consolidated financial statements to report on CIC as a holding company;
  - Within the annual reports, comparisons of Crown sector results to business plan targets;
  - Providing Internal Audit services to certain CIC subsidiary Crown Corporations with the addition of an Audit department housed at CIC; and
  - Developing policies and practices in support of possible future financial statement certifications by Executive Management.
- CIC continuously evaluates new standards for financial reporting and corporate governance.

Managing Capital Resources in the Crown Sector

CIC has a diverse range of holdings, including its subsidiary Crown corporations and its investment in NewGrade. A key priority for CIC, is to manage the capital resources employed within the consolidated group of entities to optimize value in the Crown sector and also provide a return to the Province's GRF.

CIC manages this priority through its capital allocation framework, which is based on two integrated policies. These policies are based on the principle that there are three potential uses for cash profits:

- **Reinvestment** in our businesses to sustain infrastructure and operations, to grow and diversify revenues, and support public policy initiatives and economic development;
- **Dividends** to the holding company to be used in accordance with the CIC Dividend Policy; and
- **Debt reduction** to support the financial flexibility of CIC's operations.

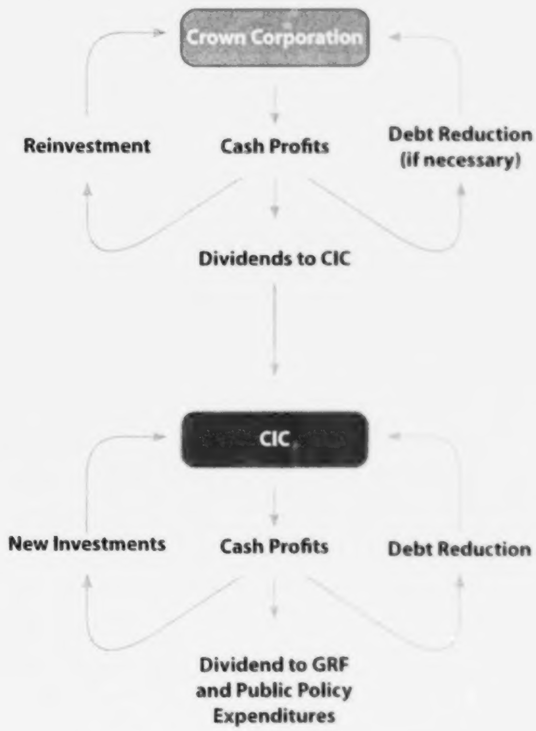
The first component, the Subsidiary Dividend Policy, focuses on managing capital resources to support the investment needs and business viability of the various business segments. The second component, the CIC Dividend Policy, ensures that the investments provide a return to the Saskatchewan stakeholders in support of programs paid for from the GRF.

Subsidiary Dividend Policy

Each commercial Crown's ability to pay dividends is determined after the CIC Board allocates a portion of cash profits to reinvestment and debt reduction. The CIC Board has approved debt and capital structure targets for CIC's subsidiaries based on industry benchmarks. Therefore, for subsidiaries that pay dividends, the amount paid is determined in relation to the target capital structure compared to the actual capital structure.

CIC Dividend Policy

In a similar way, cash paid by subsidiary Crown corporations is used by CIC for reinvestment, debt reduction, and dividends to the GRF. CIC, as the holding company, currently does not have any debt. Therefore, cash is used for reinvestment and to pay dividends to the GRF. As well, CIC uses funds to support public policy initiatives.



Managing Capital Resources in the Crown Sector (continued)

In 2006, CIC allocated $185.9 million of capital as follows:

Reinvestment and Public Policy Expenditures:

- $14.2 million in grant funding provided to STC, SaskEnergy, Gradworks Inc., SGI and SaskWater.
- $4.7 million investment in CIC Economic Holdco Ltd. and First Nations and Métis Fund Inc.

Dividends:

- CIC declared a dividend to the GRF in 2006 of $167.0 million.

Debt reduction:

- No funds were used for debt repayment as CIC (non-consolidated) does not carry debt.

CIC's ability to pay regular dividends to the GRF depends mainly on the level of Crown dividends to CIC, less CIC's operating costs. These costs include support to non-dividend paying Crown corporations and public policy expenditures. Crown dividend levels depend on their net earnings and capital structure. In addition to cash constraints, CIC's ability to declare dividends to the GRF depends on its retained earnings (a company's retained earnings are the aggregate amount of undistributed income since its inception). CIC's earnings and hence, dividend capacity outlook, are sensitive to adverse developments in its operating expenditures and Crown earnings forecasts.

Capital Structures of Commercial Crown Corporations

The following table summarizes the target capital structure of CIC's Crown corporations that declared dividends to CIC in 2006.

	Capital Structure Measure	Capital Structure Target	2006 Actual Capital Structure	2006 Dividend Payout Rate
SaskPower	Debt Ratio	60.0%	61.0%	65%
SaskTel	Debt Ratio	45.0%	30.5%	69%
SaskEnergy[1]	Debt Ratio	65.0%	63.0%	65%
SGI[2]	Net Risk Ratio	2.0	1.9	65%
Investment Saskatchewan	Self Supporting Debt	At Target	At Target	81%

1 SaskEnergy's earnings include $20.5 million in funding from the GRF related to Saskatchewan Energy Share. During 2006, SaskEnergy reached its capital structure target, in part, due to this funding.

2 Net Risk Ratio is an indicator of financial flexibility used in the insurance industry.

Liquidity

CIC and its subsidiary Crown corporations borrow from the GRF, which in turn, borrows in the capital markets. With strong credit ratings, the GRF has ample access to capital for anticipated borrowing requirements.

Province of Saskatchewan Credit Ratings

Moody's Investor Service (Moody's)	Aa1*
Standard & Poor's (S&P)	AA*
Dominion Bond Rating Service (DBRS)	AA (low)*

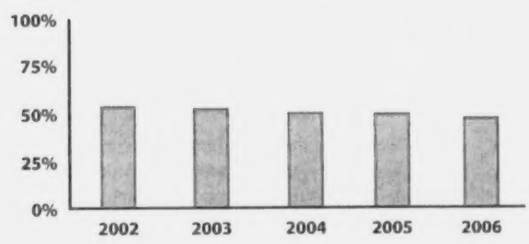
*Denotes rating upgrade in 2006

There are three credit rating agencies in Canada that evaluate and rate the Province's sovereign debt. These ratings affect the interest rate at which the Province, including the Crown sector, can borrow funds. As the credit ratings improve, the interest rates at which the Province can borrow decrease, thereby reducing the costs of borrowing. During 2006, Moody's, S&P and DBRS upgraded the Province's credit rating.

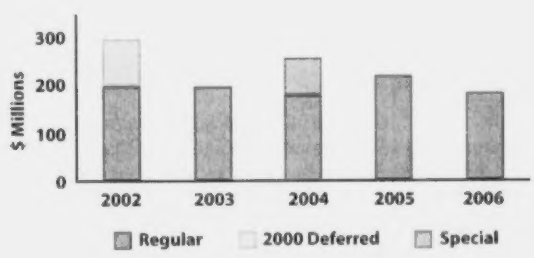
Financial Health and Dividends to the Province

As CIC has strengthened its financial position, higher dividends to the GRF have been possible. In 2006, CIC provided a dividend of $167.0 million. The 2006 dividend target was reduced based on expected capital reinvestment in CIC's subsidiary Crown Corporations.

Consolidated Debt Ratio



Dividends Declared to the GRF



CIC Consolidated Management Discussion & Analysis

CIC's 2007 Crown Sector Balanced Scorecard

Performance Measurement

Each year the CIC Board approves the Corporation's Performance Management Plan. This plan outlines the Balanced Scorecard performance targets for the ensuing year, as well as detailed initiatives, programs and actions to assist the Corporation in achieving those targets. The following provides examples of corporate priorities, the 2007 Balanced Scorecard and some core supporting initiatives.

Changes in Performance Measurement for 2007

CIC now has two distinct balanced scorecards; the Crown Sector Scorecard, which contains performance measures associated with the oversight of the Crown sector and CIC's subsidiary Crown corporations; and CIC's Corporate Scorecard, which has performance measures associated with CIC's role as a Crown Corporation and other aspects as it pertains to the delivery of specific public policies or initiatives.

Crown Sector Balanced Scorecard Perspectives for 2007

In the development of these separate balanced scorecards, new perspectives were developed and defined for each. The perspectives for 2007 are as follows:

Leadership Perspective

This perspective highlights CIC's value in leading Saskatchewan's Crown sector through the articulation of the shareholder's business vision and strategy. CIC does this by establishing financial frameworks and performance management objectives, and by providing corporate governance guidance and support to the Crowns and their Boards of Directors.

Stakeholder Perspective

This perspective challenges CIC to maintain excellent relationships with its stakeholders, particularly with CIC's Board of Directors, and to understand and assess emerging issues by providing professional and timely advice and guidance.

Financial Perspective

This perspective recognizes CIC's role in optimizing the Crown sector's financial performance and accountability. CIC does this by ensuring a balance exists between the relative priorities of providing an appropriate return to the people of Saskatchewan and protecting the financial flexibility of CIC and the Crown sector. CIC is committed to continuing efforts to make the Crown sector more open and accountable, and to provide a greater degree of public transparency in the results of the Crown sector's operations.

Public Policy Perspective

This perspective captures CIC's role in implementing those initiatives that support the Government's public purpose objectives for the Crown sector.

CIC's 2007 Crown Sector Balanced Scorecard Performance Measurement

Leadership Perspective

Corporate Strategic Objectives	Performance Measure	2007 Target	2007 Key Supporting Initiatives
Effective oversight of the province's commercial Crown corporations on behalf of the shareholder.	Shareholder: Performance Index Measure	7.6 - 8.2	Target planning forums on strategic issues facing CIC and the Crown sector. Manage Crown capital allocation and dividend targets during a period of significant capital investment.
Provide strategic human resource leadership to the Crowns.	Shareholder: Performance Index Measure	7.4 - 8.0	
	Crown Executive: Performance Index Measure	5.2 - 6.0	
Lead best practices in governance in the Crown sector.	Governance rating by the Conference Board of Canada	Rank in top 25%. Survey conducted on a 2 to 3 year cycle, next survey 2008	Assist Crown boards to implement and monitor compliance with Canadian Securities Administrators governance and disclosure best practices.

Stakeholder Perspective

Corporate Strategic Objectives	Performance Measure	2007 Target	2007 Key Supporting Initiatives
Provide expertise and guidance to support the CIC Board.	Shareholder: Performance Index Measure	8.0 - 8.6	Participate in the development of provincial strategies and ensure Crown sector recognition and advancement of government programs (Saskatchewan Action Plan for the Economy).
Consult and advise Executive Government and Crowns on government priorities that affect the Crown sector.	Survey of core client groups (Dept of Finance, Exec Council, etc)	To be developed in 2007	
Offer highly competitive benefit and pension programs to government and private sector clients.	Client base retention	95%	Introduce a Variable Benefit option for retiring members of the pension plan.
	Rolling 4 year return on the Diversified Fund	Achieve or exceed the Diversified Fund's benchmark	
	Plan Administration and Pension Board: Performance Index	To be developed in 2007	

Financial Perspective

Corporate Strategic Objectives	Performance Measure	2007 Target	2007 Key Supporting Initiatives
Provide an appropriate return to the people of Saskatchewan.	Dividend to CIC	Sustainable level, generally not more than 90% of net earnings	Advise and consult with Executive Government on funding for public policy initiatives.
	CIC dividend to the GRF	$200 million (Note 1)	
Ensure that Crown corporations are financially healthy and provide a suitable return.	Financial sustainability	13.0% cash flow ROE	Balance the need for commercial returns against public policy initiatives.
	Financial flexibility	Measures and targets to be developed in 2007	
Advance Crown corporation reporting and disclosure against best practice standards.	Review of reporting and disclosure by the Conference Board of Canada	Meet or exceed the current average of a "B" rating for the Crown sector	Assist Crown boards to implement and monitor compliance with Canadian Securities Administrators governance and disclosure best practices.

Note 1: Actual dividend is subject to Cabinet approval as part of the provincial budget.

Public Policy Perspective

Corporate Strategic Objectives	Performance Measure	2007 Target	2007 Key Supporting Initiatives
Workforce renewal and sustainability.	Gradworks Intern Program: · Interns · Retention in Crowns · Retention in Saskatchewan	 75 interns 65% 85%	Continued emphasis on CIC led initiatives related to youth and Aboriginal recruitment and retention strategies.
	Co-op Students Program: · U of R · Other training institutions	 130 students 55 students	
	Representative workforce: · Women in under represented occupations · Aboriginal · Persons with disabilities · Visible minorities	 28.0% 8.7% 4.3% 3.3%	
	Youth employment in the Crowns	13.9%	
Advance and support economic development in Saskatchewan.	% of goods and services sourced from Saskatchewan suppliers	75%	Deliver a CIC and Crown innovation agenda that provides a focus to advance the province's Innovation Strategy.
	% of goods and services sourced from Aboriginal suppliers	To be developed in 2007	Collaborate with Crowns, government, and Aboriginal business community to foster greater Aboriginal participation in the economy through supply side readiness initiatives.
Support the government's environmental agenda.	Achievement of Crown specific environmental scorecard targets	100%	Advise and consult on next generation options for electricity.

Analysis of Financial Results

The following analysis of CIC's consolidated 2006 financial results should be read in conjunction with the audited consolidated financial statements. While this MD&A is as complete as possible, CIC is bound by confidentiality agreements with its investment partners. In some cases, these agreements limit the information that CIC can release. For purposes of the MD&A on CIC's consolidated results, "CIC" refers to the consolidated entity. CIC's consolidated financial statements are prepared in accordance with GAAP and, as such, consolidate the results of all of CIC's subsidiary corporations.

Comparison of 2006 Results with 2005 Results

Net earnings for the year were $441.1 million (2005 - $306.7 million). Net earnings from ongoing operations (earnings before public policy expenditures, income taxes, non-recurring items and discontinued operations) were $425.6 million (2005 - $434.3 million).

Consolidated Earnings Comparison

(millions of dollars)	**2006**	2005	2004	2003	2002
SaskPower	**92.7**	130.5	66.4	187.2	136.7
SaskTel	**72.5**	64.4	94.5	83.0	65.1
SaskEnergy	**53.2**	76.7	107.8	40.9	6.9
SGI	**52.1**	35.2	41.7	21.2	(8.8)
Investment Saskatchewan	**72.9**	(87.7)	19.3	7.5	11.6
Information Services Corporation	**8.7**	8.3	8.3	(5.8)	(6.3)
SaskWater	**0.3**	(1.1)	(1.9)	(2.7)	(3.3)
STC	**(5.7)**	(5.4)	(4.7)	(4.6)	(4.0)
SOCO	**4.9**	5.5	6.1	(0.2)	(1.4)
CIC (Non-Consolidated)	**322.3**	248.1	275.0	274.3	262.8
NewGrade	**102.9**	88.9	40.2	32.3	6.5
Consolidation Adjustments[1] & Other	**(335.7)**	(256.7)	(340.6)	(287.7)	(171.7)
Consolidated Earnings	**441.1**	**306.7**	**312.1**	**345.4**	**294.1**
Total Assets	**9,370.9**	**9,248.4**	**8,139.9**	**7,874.5**	**7,998.1**

1 Consolidation adjustments reflect the elimination of all inter-entity transactions, such as revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC.

As the foregoing table illustrates, consolidated CIC Crown sector results in 2006 were significantly improved from 2005 results. Consolidated net income increased $134.4 million from the prior year. Variances in the CIC Crown sector were as follows:

- SaskPower earnings decreased primarily due to high costs for fuel and purchased power as a result of lower cost coal and hydro generation being replaced by higher cost gas-sourced generation. The increased costs were partially offset by a 4.9 per cent system-wide average rate increase implemented on January 1, 2006.
- SaskTel earnings increased relative to 2005 due to strong cellular access growth and increased revenue for MAX™ entertainment services.
- SaskEnergy earnings decreased relative to 2005, due to a loss on commodity sales resulting from the negative impact of commodity price changes combined with lower earnings from gas marketing sales.
- SGI earnings increased relative to 2005 primarily due to strong out-of-province earnings and a lower level of summer storm related claims in Saskatchewan.
- Investment Saskatchewan earnings of $72.9 million increased relative to 2005 losses of $87.7 million, due primarily to losses recorded in 2005 from the ownership of MLPLP of $127.9 million.
- NewGrade earnings of $102.9 million compared favorably to 2005 earnings of $88.9 million, due to a general increase in the differentials between world oil prices for light and heavy crude oil.

Significant Events Impacting 2006 Consolidated Results

During 2006, there were some significant events that impacted CIC's consolidated results. These are detailed as follows:

1. **Discontinued Operations**

   CIC's financial position includes certain assets that are in the process of being liquidated. In accordance with CIC's accounting policy, these assets are separated from the ongoing operations and classified as discontinued operations for both the current year and the 2005 comparative figures. Included in discontinued operations are assets held in its joint venture Centennial Foods Partnership, as well as its subsidiaries, MLPLP and Crown Life Insurance Company (through its subsidiary HARO). CIC expects these assets to be substantively disposed of in 2007.

2. **Saskatchewan Energy Share**

   On November 29, 2005, the Government of Saskatchewan established Saskatchewan Energy Share. The main component of this program was a cap on the consumer price for natural gas to assist rate regulated customers in dealing with high natural gas prices. The difference between the market price for gas and the rate charged to customers (the cap) would be paid for by the Province for the period of November 1, 2005 to March 31, 2006.

   Under the program, natural gas prices were capped at $7.95 per gigajoule. During 2006, CIC received $20.5 million from the Saskatchewan GRF to compensate CIC for the actual market cost of gas, exceeding the customer price cap of $7.95 per gigajoule.

3. **Public Policy Expenditures**

   In 2003, the government indicated that Saskatchewan families would receive the package of basic utilities, including home electricity, home natural gas, basic telephone and auto insurance rates at a total annual cost that is as low as, or lower than, the same package in any other province in Canada. During 2006, CIC, with its external consultants, Meyers Norris Penny LLP, determined that Saskatchewan had the lowest cost package of services, and therefore no funding was necessary.

Accounting Policy Developments Impacting 2007 Consolidated Results

Accounting Changes
The new recommendations of the Canadian Institute of Chartered Accountants (CICA) for accounting changes (CICA Handbook 1506), will become effective in 2007. Most significantly, the recommendations stipulate that voluntary changes in accounting policy are made only if they result in the financial statements providing reliable and more relevant information. New disclosures are required in respect of changes in accounting policies, changes in accounting estimates, and correction of errors. The Corporation does not expect to be materially affected by the new recommendations.

Capital Disclosures
The new recommendations of the CICA for capital disclosures (CICA Handbook 1535), became effective for fiscal years beginning on or after October 1, 2007. These recommendations establish standards for disclosing information about the Corporation's capital (debt and equity) and how it is managed. Specifically, information should be disclosed to enable users of the financial statements to evaluate the Corporation's objectives, policies, and processes for managing capital. The Corporation is currently assessing whether it will implement the new recommendations in its 2007 fiscal year.

Comprehensive Income
Commencing with the Corporation's 2007 fiscal year, the CICA recommendations for comprehensive income (CICA Handbook Section 1530), will apply to the Corporation. The concept of comprehensive income will be to include changes in Province of Saskatchewan's equity arising from items that are excluded from net income calculated in accordance with GAAP, more specifically, unrealized changes in the values of financial instruments.
The statement of comprehensive income should show net income; each component of revenue, expense, gain or loss that is required to be shown in other comprehensive income; and total comprehensive income. The Corporation is assessing the impact of the new recommendations.

Financial Instruments – Recognition and Measurement - Disclosures - Presentation
The new recommendations of the CICA for accounting for financial instruments – recognition and measurement (CICA Handbook Section 3855), financial instruments - disclosures (CICA Handbook Section 3862), and financial instruments - presentation (CICA Handbook Section 3863), will apply to the Corporation.

The new CICA standards require that all financial instruments within their scope, (including derivatives), be included on a company's balance sheet and measured either at fair value or, in limited circumstances when fair value may not be considered most relevant, at cost or amortized cost. The standards also specify when gains and losses as a result of changes in fair value are to be recognized in the income statement.

The CICA recommendations establish standards for financial instrument disclosure that enable users to evaluate the significance of financial instruments for the Corporation's financial position and performance; and the nature, extent and management of risks arising from financial instruments to which the entity is exposed during the period, and at the balance sheet date.

These recommendations also establish standards for financial instrument presentation that enhance the understanding of the significance of financial instruments to the Corporation's financial position, performance and cash flows.

Business Combinations
Possibly the proposed amended CICA recommendations of accounting for business combinations will apply to the Corporation's business combinations if any, with an acquisition date subsequent to the amended recommendations coming into force.
Whether the Corporation would be materially affected by the proposed amended recommendations would depend on the specific facts of the business combinations if any, occurring subsequent to the amended recommendations coming into force. The proposed recommendations will result in measuring business acquisitions at the fair value of the acquired entities and measurement of changes in non-controlling interest subsequent to the business combination at fair values attributable to non-controlling interest, versus the current book values attributable to non-controlling interests. The final CICA standards are expected to be issued in 2007.

Analysis of 2006 Consolidated Revenues and Expenses

Revenues

Revenues from ongoing operations were $5,077.9 million (2005 - $4,852.1 million), an increase of $225.8 million. The increase was due to a $220.4 million increase in operating revenues and an increase in other revenue of $9.8 million, which was offset by a decrease in investment revenue of $4.4 million.

Operating revenues were $4,977.4 million (2005 - $4,757.0 million). The $220.4 million increase was mainly due to an increase in the price and volume of the commodities sold, higher utility sales and increased insurance premiums.

Operating revenues for commodity based investments increased by $111.5 million. The increase is due to the following:

- The Corporation's share of revenue in NewGrade increased by $101.5 million due to increased differentials between light and heavy oil prices.
- Increases at Investment Saskatchewan of $10.0 million were primarily due to increased hog production volume and market prices.

Utility sales were $3,777.6 million (2005 - $3,667.6 million), an increase of $110.0 million. The increase is due to the following:

- Increased sales by SaskPower ($124.8 million) due primarily to the impact of a 4.9 per cent system-wide average rate increase implemented January 1, 2006.
- Increased sales by SaskTel ($27.4 million) primarily due to strong cellular access growth and increased revenue from MAX™ entertainment services.
- These increases were offset by lower revenues at SaskEnergy ($44.8 million) primarily due to lower natural gas marketing sales.

Insurance revenues increased at SGI by $9.7 million due to growth in Saskatchewan commercial premiums.

Offsetting the overall increases in revenue was the increased activity within the consolidated corporate entities, eliminating $13.5 million of the individual increases in sales.

Investment revenues were $85.2 million (2005 - $89.6 million). The $4.4 million decrease reflects a decrease in the Corporation's share in earnings from equity investments of $16.2 million, offset by an increase in the collection of interest on the loan and short-term investment portfolios.

Expenses

Operating expenses were $4,652.3 million (2005 - $4,417.8 million), an increase of $234.5 million. The primary factors for the increase were an increase in operating costs of $204.0 million related to the commodity based investments and utility operations.

Operating costs from commodity based investments increased by $102.3 million primarily due to:

- The Corporation's share of the increase in operating costs in NewGrade of $95.6 million due mainly to the increased cost of oil feedstock.
- Increased operating costs at Investment Saskatchewan of $6.7 million due mainly due to increased feed costs for hog production.

Expenses (continued)

Operating costs from utility operations increased by $107.3 million primarily due to:

- Increased operating expenses for SaskPower ($133.9 million) due primarily to higher fuel and purchased power costs as a result of a reduction in the availability of lower cost coal and hydro generation, which was replaced by higher cost natural gas sourced generation. In addition, costs were higher due to a clean coal feasibility study and higher salary and benefit costs.
- Increased operating costs at SaskTel ($15.6 million) were primarily due to expenses to acquire and support wireless revenue growth, increased programming and content costs to support growth in entertainment services and increased restructuring costs.
- Offsetting these increases were decreased operating costs at SaskEnergy ($44.5 million), primarily due to lower natural gas marketing cost of gas sold.

Interest costs were $248.1 million (2005 - $243.9 million), an increase of $4.2 million despite a decrease in debt of $105.0 million. The increase is attributed to lower capitalization of interest on investments under construction and decreased sinking fund earnings.

Other Non-operating Revenue and Expenses

The Corporation had several significant non-operating expenses in 2006. These expenses were as follows:

- Although Crown corporations are non-taxable, certain investments held by the Corporation are taxable. The most significant of these investments is NewGrade. During the year, the Corporation recorded $43.7 million in current taxes and $4.4 million in future income taxes.
- The Corporation recorded income from non-recurring items of $18.9 million. The non-recurring items consist of grants from the GRF of $20.5 million to complete the Saskatchewan Energy Share program, and a loss of $1.6 million on a service agreement entered into by SGI.
- The Corporation recorded a gain on discontinued operations of $44.7 million.

The following table illustrates the disclosure of these items in CIC's 2006 consolidated financial statements:

(millions of dollars)	**2006**	2005
Non-Operating Items		
Income before the following	**425.6**	434.3
Future income tax expense	**(4.4)**	(35.9)
Current income tax expense	**(43.7)**	(20.2)
Non-recurring items	**18.9**	43.9
Gain (loss) from discontinued operations	**44.7**	(115.4)
Consolidated Earnings	**441.1**	306.7

Analysis of 2006 Consolidated Capital Resources

Consolidated Debt

CIC closely monitors the debt levels of its subsidiaries, utilizing the debt ratio as a primary indicator of financial health. The debt ratio measures the amount of debt in a corporation's capital structure. CIC uses this measure in assessing the extent of financial leverage and in turn, financial flexibility for its subsidiary Crown corporations. Too high a ratio relative to target, which is determined according to industry standards, indicates an excessive debt burden that may impair a corporation's ability to withstand downturns in revenues and still meet fixed payment obligations.

CIC reviews the debt ratio targets on an annual basis to ensure consistency with industry standards. This review includes Crown plans for capital spending. The target debt ratios for Crown corporations are approved by the CIC Board.

The following table shows the consolidated debt level and the consolidated debt ratio of CIC.

	2006	2005	2004	2003	2002
Consolidated Debt	**$3,503.5M**	$3,608.5M	$3,315.7M	$3,358.4M	$3,523.5M
Consolidated Debt Ratio	**49.9%**	51.7%	50.4%	51.0%	53.3%

Debt on a consolidated basis was $3,503.5 million at December 31, 2006, a decrease of $105.0 million compared to 2005 debt of $3,608.5 million. Decreases in debt at Investment Saskatchewan ($53.3 million), SaskTel ($40.8 million), SaskEnergy ($21.6 million), ISC ($13.6 million), NewGrade ($10.3 million) and SDFC ($0.1 million) were offset by increases at SOCO ($17.0 million), SaskPower ($16.4 million) and SaskWater ($1.3 million).

Capital Spending

CIC spent $1,366.5 million (2005 - $1,510.3 million) on new investment and capital acquisitions. The $143.8 million decrease reflects a $81.5 million decrease in investment activity, mainly due to decreased turnover within SGI's investment portfolio and a decrease in fixed asset spending of $62.3 million related mainly to $188.0 million spent by SaskPower in 2005 on its Centennial Wind Power facility near Swift Current. The decrease at SaskPower was offset by capital spending at SaskTel due to the investment in advancing SaskTel's bandwidth infrastructure.

Operating, Investing and Financing Activities

(millions of dollars)	**2006**	2005
Cash Flow Highlights		
Cash from Operations	**893.8**	891.2
Cash used in Investing Activities	**(594.4)**	(690.3)
Cash used in Financing Activities		
Dividends Paid	**(221.0)**	(263.0)
Debt Proceeds Received	**170.0**	407.2
Debt Repaid	**(274.3)**	(287.9)
Other Financing Activities	**13.4**	20.9
(Decrease) Increase in Cash	**(12.5)**	78.1

Operating, Investing and Financing Activities (continued)

Cash from operations was $893.8 million which was consistent with the previous year (2005 - $891.2 million).

Cash used in investing activities was $594.4 million (2005 - $690.3 million). The $95.9 million decrease reflects significant purchases of property, plant & equipment in 2005, due mainly to the construction of SaskPower's Centennial Wind Power facility.

Cash used in financing activities was $311.9 million (2005 - $122.7 million). During the period, the Corporation's borrowing program repaid a net $104.3 million of debt, and paid dividends to the GRF of $221.0 million.

Comparison of 2006 Results with Budget

(millions of dollars)	2006 Earnings		2006 CIC Dividends	
	Budget	**Actual**	**Budget**	**Actual**
SaskPower	102.8	92.7	66.3	60.2
SaskTel	70.5	72.5	50.0	50.0
SaskEnergy	78.3	53.2	50.6	34.5
SGI	33.8	52.1	22.0	33.9
Investment Saskatchewan	38.5	72.9	N/A	59.1
Information Services Corporation	5.4	8.7	-	-
SaskWater	(0.5)	0.3	-	-
STC	(6.8)	(5.7)	-	-
SOCO	4.9	4.9	-	-
NewGrade	61.4	102.9	76.7	105.0
Consolidation, Other, Adjustments	(71.5)	(13.4)	-	-
Consolidated Earnings	**316.8**	**441.1**	**265.6**	**342.7**

The preceding table shows results for the commercial Crown corporations in 2006 in comparison to business plan targets. Consolidated earnings for 2006 of $441.1 million were $124.3 million above budgeted earnings of $316.8 million. Variances in the Crown sector were as follows:

- SaskPower earnings were below budget due to lower than anticipated sales.
- SaskTel earnings were substantially on budget. Revenues were below budget due to lower than budgeted revenues from external investments, offset by lower interest expense, as debt was reduced lower than anticipated.
- SaskEnergy earnings were below budget primarily due to a loss on commodity sales resulting in a negative impact of commodity price changes.
- SGI posted earnings that were above budget, primarily due to increased out-of-province earnings and better than expected investment earnings.
- Investment Saskatchewan's earnings were above budgeted earnings due to a recovery of provisions related to MLPLP.
- NewGrade earnings of $102.9 million compared favorably to budgeted earnings of $61.4 million, due to an increase in the differentials between world oil prices for light and heavy crude oil.
- The Corporation, on a consolidated basis, budgeted $50.0 million to ensure the public policy initiative of maintaining the lowest cost bundle of services promise was met. In 2006, it was determined that Saskatchewan had the lowest cost bundle and therefore, CIC did not need to provide any consumer rebates.

A Closer View of CIC's Holdings

CIC is involved in a broad array of industries through various forms of investment. A number of investments are held as wholly-owned subsidiaries, while others are joint ventures and partnerships held either directly by CIC, or through its wholly-owned subsidiaries.

Investment	Major Business Line	Form of Investment
Saskatchewan Power Corporation (SaskPower)	Electricity	wholly-owned subsidiary
Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	Telecommunications	wholly-owned subsidiary
SaskEnergy Incorporated (SaskEnergy)	Natural Gas	wholly-owned subsidiary
Saskatchewan Water Corporation (SaskWater)	Water and Wastewater	wholly-owned subsidiary
Information Services Corporation of Saskatchewan (ISC)	Land and Property Registration Services	wholly-owned subsidiary
Saskatchewan Government Insurance (SGI)	Property and Casualty	wholly-owned subsidiary
Investment Saskatchewan Inc. (IS)	Several	wholly-owned subsidiary
NewGrade Energy Inc. (NewGrade)	Heavy Oil Upgrader	50.0 per cent joint venture
Saskatchewan Opportunities Corporation (SOCO)	Infrastructure	wholly-owned subsidiary
Saskatchewan Development Fund Corporation (SDFC)	Mutual Fund	wholly-owned subsidiary
Saskatchewan Government Growth Fund Management Corporation (SGGF MC)	Immigrant Investor Program	wholly-owned subsidiary
Saskatchewan Transportation Company (STC)	Passenger and Freight Transportation	wholly-owned subsidiary

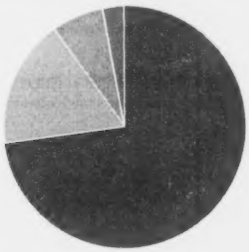
Utilities Insurance Commodity Based Investments Economic Growth Transportation

Profiles of each subsidiary Crown corporation and NewGrade as a major investment are included in this section. Each subsidiary Crown corporation prepares an annual report, which is tabled in the Legislative Assembly. For additional information, please refer to each individual Crown corporation's annual report. These annual reports can be found through CIC's website, **www.cicorp.sk.ca**.

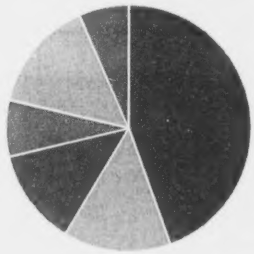
The data on the following page illustrates the importance of the utility business segment to the financial results of the corporation. Of these corporations, SaskPower, SaskTel and SaskEnergy are the most significant in terms of assets, liabilities, and operating income generated.

Segmented Information

Total Assets by Business Segments



Total Assets by Corporation



($ millions) Income Statement for the year ended December 31	Utilities		Commodity-Based		Insurance		Transportation		Economic Growth		Other & Adjustments		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Sales and other revenue	3,797	3,680	1,022	918	321	309	15	14	28	24	(105)	(93)	5,078	4,852
Operating expenses & other	3,356	3,224	834	730	266	265	21	20	24	18	(97)	(83)	4,404	4,174
Debt costs	238	230	9	13	-	-	-	-	-	1	1	-	248	244
Earnings before the following	203	226	179	175	55	44	(6)	(6)	4	5	(9)	(10)	426	434
Non-recurring items and taxes	24	88	(47)	(57)	(3)	(9)	6	7	-	-	(11)	(41)	(31)	(12)
Discontinued operations	-	-	46	(115)	-	-	-	-	-	-	-	-	46	(115)
Net earnings	227	314	178	3	52	35	-	1	4	5	(20)	(51)	441	307
Balance Sheet as at December 31														
Current assets	694	827	775	876	231	211	4	3	19	10	196	167	1,919	2,094
Investments & other	408	429	728	646	432	384	-	-	4	3	1	2	1,573	1,464
Property, plant & equipment	5,714	5,547	117	112	11	12	20	18	24	7	(7)	(6)	5,879	5,690
	6,816	6,803	1,620	1,634	674	607	24	21	47	20	190	163	9,371	9,248
Current liabilities	914	997	356	346	245	205	3	2	28	5	44	170	1,590	1,725
Long-term debt	3,142	3,139	59	78	-	-	-	-	-	-	-	-	3,201	3,217
Other	147	136	516	535	267	259	11	9	-	-	(11)	(10)	930	929
	4,203	4,272	931	959	512	464	14	11	28	5	33	160	5,721	5,871
Province's equity	2,613	2,531	689	675	162	143	10	10	19	15	157	3	3,650	3,377
	6,816	6,803	1,620	1,634	674	607	24	21	47	20	190	163	9,371	9,248
Statement of Cash Flows for the year ended December 31														
Operating activities														
Ongoing operations	625	756	140	168	51	41	-	-	5	5	85	(103)	906	867
Discontinued operations	-	-	(12)	24	-	-	-	-	-	-	-	-	(12)	24
	625	756	128	192	51	41	-	-	5	5	85	(103)	894	891
Investing activities														
Capital asset purchases	(564)	(681)	(13)	(21)	-	(3)	(3)	(4)	(17)	(6)	(36)	20	(633)	(695)
Other	(13)	18	46	89	(37)	(45)	-	-	2	-	41	(57)	39	5
	(577)	(663)	33	68	(37)	(48)	(3)	(4)	(15)	(6)	5	(37)	(594)	(690)
Financing activities														
Debt proceeds	154	381	7	16	-	-	-	-	-	-	-	10	161	407
Debt repayments	(190)	(210)	(70)	(29)	-	-	-	-	-	-	(14)	(49)	(274)	(288)
Dividends paid to CIC	(139)	(216)	(105)	(60)	(24)	(22)	-	-	-	-	268	298	-	-
Dividends paid to GRF	-	-	-	-	-	-	-	-	-	-	(221)	(263)	(221)	(263)
Other	(1)	(40)	5	(51)	-	25	4	4	21	-	(7)	83	22	21
	(176)	(85)	(163)	(124)	(24)	3	4	4	21	-	26	79	(312)	(123)
Change in cash	(128)	8	(2)	136	(10)	(4)	1	-	11	(1)	116	(61)	(12)	78

SaskPower

Utilities

Comparison of 2006 Results with 2005 Results

- Earnings of $92.7 million (2005 - $130.5 million) decreased primarily due to higher costs for fuel and purchased power and an increase in operating costs, partially offset by an improvement in revenue.
- Revenue of $1,456.2 million (2005 - $1,325.7 million) increased primarily due to higher Saskatchewan sales as a result of a 4.9 per cent system-wide average rate increase, implemented on January 1, 2006.
- Expenses of $1,363.5 million (2005 - $1,195.2 million) increased primarily due to higher fuel and purchased power costs as a result of a reduction in the availability of lower cost coal and hydro generation, which was replaced by higher cost gas-sourced generation. In addition, operating costs were higher due to the clean coal feasibility study and increased salary and benefit costs.
- Net debt of $2,313.5 million (2005 - $2,297.1 million) was up slightly, due to the additional borrowing of $100.0 million to finance SaskPower's capital program. This increase was partially offset by debt repayments and sinking fund installments and earnings.
- SaskPower invested $284.6 million (2005 - $473.1 million) in various capital projects, including customer connects and the life extension of existing infrastructure. Capital spending decreased from the prior year, as $188.0 million was spent on the 150-MW Centennial Wind Power Facility in 2005.
- Debt ratio of 61.0 per cent (2005 - 60.9 per cent) is essentially unchanged from 2005.
- Return on equity of 6.4 per cent (2005 - 9.2 per cent) decreased due to a decline in earnings.
- Dividends declared to CIC of $60.2 million (2005 - $84.8 million) decreased, in proportion to the lower earnings.

Key Financial Data

	2006 Actual	2006 Bus. Plan	2005	2004	2003	2002
Earnings	$92.7M	$102.8M	$130.5M	$66.4M	$187.2M	$136.7M
Dividends declared to CIC	$60.2M	$66.3M	$84.8M	$59.8M	$168.5M	$82.3M
Total assets	$4,163.3M	$4,168.0M	$4,101.4M	$3,831.0M	$3,611.7M	$3,629.5M
ROE	6.4%	7.0%	9.2%	4.8%	13.6%	10.2%
Debt ratio	61.0%	61.1%	60.9%	58.2%	56.5%	56.8%

Comparison of 2006 Results with 2006 Budget

- Earnings were $10.1 million below the budget of $102.8 million, due to lower Saskatchewan sales and export revenues offset by a reduction in fuel and purchased power costs.
- Revenues were $10.4 million higher than the $1,445.8 million budget, reflecting additional electricity trading revenues offset by lower Saskatchewan sales and exports.
- Expenses were $20.5 million higher than the $1,343.0 million budget, primarily due to the unbudgeted clean coal feasibility study, higher salaries and benefits, as well as additional electricity trading costs partially offset by lower fuel and purchased power costs.
- The dividend to CIC was $6.1 million lower than the $66.3 million budget, which is in proportion to the lower than expected earnings.

2007 Outlook

- Earnings are expected to increase in 2007 to about $134.7 million, largely as a result of the rate increase of 4.3 per cent implemented February 1, 2007. These earnings will bring SaskPower more in line with industry average returns.
- SaskPower plans to continue making significant investments in its generation, transmission and distribution infrastructure, with anticipated capital expenditures of approximately $438.0 million in 2007.

Key Factors Affecting Performance

- Weather conditions.
- Export markets.
- Volatility of natural gas prices.
- Availability of relatively low cost hydro and coal generation.

Key Operating Data

	2006	2005	2004	2003	2002
Permanent full time equivalents	2,458	2,425	2,397	2,376	2,350
Total customers	445,569	441,692	439,165	436,478	434,234
Residential and average usage (kWh)	8,030	8,065	8,048	8,208	8,100
Power lines (km of poles)	155,055	154,269	153,557	152,837	152,110

SaskTel

Utilities

Comparison of 2006 Results with 2005 Results

- Earnings were $72.5 million (2005 - $64.4 million) and income from operations was $92.2 million (2005 - $88.4 million). These increases were primarily due to strong revenue growth and no write-down of long lived assets in 2006, partially offset by increased restructuring charges and growth related expenses.
- Operating revenues increased to $1,009.6 million (2005 - $978.8 million) primarily due to strong cellular access growth and increased revenue from MAX™ Entertainment Services.
- Operating expenses were $917.4 million (2005 - $890.4 million). This increase is primarily due to expenses to acquire and support wireless revenue growth, increased programming and content costs to support growth in entertainment services, and increased restructuring charges.
- Interest costs of $25.3 million (2005 - $25.3 million) were consistent with the previous year.
- Debt decreased to $318.3 million (2005 - $359.1 million) due to repayment of long term debt and utilization of cash and short-term investments to partially fund investing and financing activities.
- Capital spending increased to $228.5 million (2005 - $141.1 million) due to investment in advancing SaskTel's bandwidth infrastructure through the Next Generation Access Infrastructure (NGAI) program. As well, SaskTel continued to focus on growth initiatives and expansion of the broadband network to rural Saskatchewan.
- Debt ratio increased to 30.5 per cent (2005 - 28.3 per cent) primarily due to increased capital spending. The debt ratio is calculated using total long-term debt, less cash and short-term investments. While the level of long-term debt decreased, cash and short-term investments declined more, resulting in an increase in the debt ratio.
- Return on equity increased to 10.7 per cent (2005 - 9.7 per cent) in proportion to the higher earnings.
- Dividends declared to CIC of $50.0 million (2005 - $57.9 million). SaskTel has previously paid dividends at 90 per cent of earnings. In 2006, SaskTel's dividend was reduced to $50.0 million to allow for additional spending on provincial infrastructure.

Key Financial Data

	2006 Actual	2006 Bus. Plan	2005	2004	2003	2002
Earnings	$72.5M	$70.5M	$64.4M	$94.5M	$83.0M	$65.1M
Dividends declared to CIC	$50.0M	$50.0M	$57.9M	$88.0M	$76.6M	$58.6M
Total assets	$1,207.0M	$1,409.5M	$1,213.6M	$1,230.7M	$1,231.8M	$1,220.8M
ROE	10.7%	10.3%	9.7%	14.4%	13.0%	10.1%
Debt ratio	30.5%	42.2%	28.3%	25.7%	32.7%	38.5%

Comparison of 2006 Results with Budget

- Earnings were $2.0 million higher than the $70.5 million budget.
- Operating revenues were $6.0 million lower than the $1,015.6 million budget, which was primarily due to lower than expected revenues from new external investments. This was partially offset by delayed competition in local access and wireless subscriber growth.
- Operating expenses were $9.1 million higher than the $908.3 million budget due to higher than expected restructuring costs, wireless expenses to support access growth, increased defined benefit pension expense, and increased salaries, partially offset by lower than anticipated expenses related to new external investments.
- Interest costs were $8.0 million lower than the $33.3 million budget. Lower than anticipated investments resulted in reduced borrowing requirements.

2007 Outlook

- SaskTel's targeted 2007 net income is $61.4 million (2006 - $72.5 million).
- Revenues from growth initiatives are projected to grow, while revenues from traditional sources will decline. SaskTel forecasts in excess of $1 billion gross revenues for the second year in a row.
- SaskTel's estimated restructuring charges are $43.0 million.
- SaskTel will evaluate options to further decrease costs within the traditional business.
- SaskTel expects to spend approximately $316.0 million on capital and external investments during 2007. No significant divestitures are anticipated.

Key Factors Affecting Performance

- Next generation technologies delivering internet protocol (IP) services through traditional and new non-traditional competitors.
- Competitive pressures particularly in internet, wireless, long distance and local markets.
- Ability to develop new products and services to support growth initiatives.
- Challenges of meeting cost reduction targets while providing exceptional customer service and meeting the communications needs of the people of Saskatchewan.
- Changes in policies and regulations coming from Canadian Radio-television and Telecommunications Commission decisions.

Key Operational Data

	2006	2005	2004	2003	2002
Permanent full time equivalents	3,902	3,995	4,103	4,153	4,172
Operating revenue ($000's)	1,009,586	978,830	932,358	897,150	893,485
Network access services	578,979	584,149	587,185	590,961	594,055
Cellular access services	402,676	360,137	318,102	282,679	255,500
Internet access services	192,734	179,385	162,098	148,301	127,918
Originated minutes (1,000's)	1,393,824	1,390,614	1,426,493	1,433,936	1,437,747

SaskEnergy

Utilities

Comparison of 2006 Results with 2005 Results

- Earnings of $53.2 million (2005 - $76.7 million) decreased due to a loss on commodity sales resulting from the negative impact of commodity price changes. The lower earnings from gas marketing sales also had a negative impact.
- Revenues[1] of $1,254.0 million (2005 - $1,298.7 million) decreased primarily due to lower gas marketing sales.
- Expenses[1] of $1,200.8 million (2005 - $1,222.0 million) decreased primarily due to lower gas marketing cost of gas sold.
- SaskEnergy incurred a loss on commodity sales of $6.1 million (2005 - $11.4 million gain). The 2006 loss was reduced by $20.5 million (2005 - $53.6 million) as a result of funding from the GRF related to Saskatchewan Energy Share. In 2006, the GRF funding reduced natural gas costs to $7.95 per gigajoule for the period January 1, 2006 to March 31, 2006. The commodity cost of gas sold includes the market value of certain derivative financial instruments used to manage the risk associated with the volatility of natural gas prices. The net effect of the change in market value of these financial instruments was to increase the cost of gas sold by $9.0 million (2005 - $15.0 million).
- Debt decreased to $712.8 million (2005 - $734.4 million) due to debt repayments.
- Capital spending was $71.5 million (2005 - $58.6 million). The increase was due to incremental spending on storage development and system expansion during 2006.
- SaskEnergy's debt ratio is 63.4 per cent (2005 - 65.0 per cent).
- Return on equity of 13.2 per cent decreased (2005 - 20.7 per cent) in proportion to the lower earnings.
- Dividends declared to CIC of $34.5 million (2005 - $29.3 million[2]) were based on 65.0 per cent of consolidated net earnings.

Key Financial Data

	2006 Actual	2006 Bus. Plan	2005	2004	2003	2002
Earnings	$53.2M	$78.3M	$76.7M	$107.8M	$40.9M	$6.9M
Dividends declared to CIC	$34.5M	$50.6M	$29.3M[2]	$70.0M	$26.7M	$4.5M
Total assets	$1,322.2M	$1,357.8M	$1,371.0M	$1,286.4M	$1,235.2M	$1,211.4M
ROE	13.2%	20.6%	20.7%	33.1%	13.6%	2.3%
Debt ratio	63.4%	68.1%	65.0%	68.4%	71.5%	72.9%

Comparison of 2006 Results with Budget

- Earnings were $25.1 million below the $78.3 million budget primarily due to a loss on commodity sales resulting from the negative impact of commodity price changes. The loss on commodity sales in 2006 included $20.5 million funded from the GRF to lower the cost of natural gas for consumers.

1 Commencing in 2006, SaskEnergy revised the presentation of its gas marketing sales and commodity sales. Total revenues now include gross gas marketing sales revenue and commodity sales revenue. Total expenses now include gross gas marketing cost of gas sold and commodity cost of gas sold. Previously, gas marketing sales were presented on a net margin basis. Commodity sales revenue and commodity cost of gas sold have also been reclassified. The 2005 results and 2006 budget have been adjusted to reflect the change in presentation.

2 The 2005 dividend to CIC was based on 65.0 per cent of consolidated net earnings, excluding the $31.7 million of funding received during 2005 from the GRF, which related to the Saskatchewan Energy Share.

- Revenues were $250.4 million higher than the $1,003.6 million budget primarily due to higher revenues from gas marketing activities. This was partially offset by lower commodity sales resulting from reduced consumption related to warmer winter weather.
- Expenses were $275.5 million higher than the budget of $925.3 million due to the higher cost of gas sold associated with gas marketing activities, partially offset by lower commodity sales. Dividends to CIC were $16.1 million lower than the budgeted dividend of $50.6 million, in proportion to the earnings.

2007 Outlook

- SaskEnergy anticipates net earnings of $69.0 million in 2007, with expected future earnings in the range of $60.0 million to $70.0 million during the period 2008 to 2011.
- SaskEnergy anticipates a strong capital program requiring cumulative expenditures of $400.0 million over the next five years to sustain and grow the transmission and distribution infrastructure and enable the delivery of safe, reliable service in Saskatchewan. In addition, capital expenditures of $165.0 million are forecast to be invested in new business development projects to generate incremental earnings for SaskEnergy and support economic development within the Province.
- In 2006, SaskEnergy committed to providing natural gas service to La Ronge and Weyakwin in north-central Saskatchewan. Having received sufficient customer commitment, SaskEnergy intends to proceed with the project in 2007.
- SaskEnergy will create value for the shareholder by generating industry-comparable returns on utility operations, by paying dividends and by preserving an appropriate long-term capital structure.

Key Factors Affecting Performance

- Volatility of natural gas prices: a 10 cent per gigajoule change in the market price of natural gas can affect the cost of natural gas by approximately $5.3 million.
- Variations in winter weather patterns: a 1.0 per cent change in winter weather can affect earnings by approximately $0.7 million.
- Changes in the level of contracted transportation capacity: a 1.0 per cent change in the level of capacity contracted by shippers to bring natural gas onto the transportation system can affect earnings by approximately $0.6 million.

Key Operational Data

	2006	2005	2004	2003	2002
Permanent full time equivalents	853	813	813	805	808
Total distribution customers	332,148	329,240	327,586	325,504	323,721
Residential average usage (m^3)	2,873	3,060	3,287	3,420	3,478
Distribution pipelines (km)	66,163	65,992	65,832	65,679	65,491
Transmission pipelines (km)	14,252	14,197	14,127	14,072	13,930
Compressor horsepower (HP)	88,500	94,625	99,850	103,850	104,620
Peak day gas flows (Petajoules)	1.53	1.38	1.48	1.46	1.30

SaskWater

The Quality Advantage

Utilities

Comparison of 2006 Results with 2005 Results

- Earnings were $0.4 million (2005 - $34.0 million). In 2006, CIC provided grant funding of $0.1 million for placement of Gradworks interns. In 2005, CIC provided grant funding of $35.0 million to facilitate debt restructuring and $0.1 million for placement of Gradworks interns. Net income before grant funding was $0.3 million (2005 - $1.1 million loss).
- Revenues of $18.5 million (2005 - $17.8 million) increased primarily due to rate increases implemented in 2005 and 2006.
- Expenses of $18.2 million (2005 - $19.0 million) decreased primarily due to a decrease in interest costs as a result of debt restructuring in 2005.
- Debt was $34.6 million (2005 - $33.3 million). This increase relates to borrowings of $2.4 million to refinance a capital project, partially offset by scheduled debt repayments, sinking fund installments and sinking fund earnings.
- Capital spending of $5.6 million (2005 - $2.4 million) increased primarily due to construction of a new wastewater treatment facility and the timing of other planned projects.
- Total water sales volume was 4.1 billion gallons (2005 - 4.1 billion gallons).
- Debt ratio of 50.3 per cent (2005 - 49.4 per cent) increased primarily due to the increase in long-term debt.

Key Financial Data

	2006 Actual	2006 Bus. Plan	2005	2004	2003	2002
Operating income (loss)	$0.3M	($0.5M)	($1.1M)	($1.9M)	($2.7M)	($3.3M)
Grant funding from CIC	$0.1M	Nil	$35.1M	$9.2M	$1.1M	Nil
Total assets	$73.3M	$75.8M	$69.9M	$69.9M	$69.2M	$70.0M
Debt ratio	50.3%	52.3%	49.4%	81.5%	77.9%	73.3%

Comparison of 2006 Results with Budget

- Income before grant funding was $0.8 million better than the $0.5 million loss budgeted.
- Revenues were $0.8 million below the $19.3 million budget due primarily to anticipated new customers not materializing and a dip in industrial customer consumption.
- Expenses were $1.6 million below the $19.8 million budget primarily due to lower interest costs and lower than budgeted staff levels.

2007 Outlook

- SaskWater expects total revenues to increase by 9.0 per cent ($1.7 million) to $20.2 million.
- SaskWater expects to invest $9.7 million in water and wastewater infrastructure projects in the province.
- SaskWater expects to report a net loss of $0.4 million in 2007 and does not plan to apply for any operating grants from CIC.

Key Factors Affecting Performance

- Weather: high rainfall decreases water sales.
- Regulation: increased regulation creates more demand for services.

Utilities

Trusted Registry & Land Services

Information Services Corporation OF SASKATCHEWAN

Comparison of 2006 Results with 2005 Results

- Earnings increased to $8.7 million (2005 - $8.3 million) primarily due to higher land transaction revenue.
- Revenues of $47.7 million (2005 - $45.8 million) increased due to a higher volume of land transactions and increased market values of property.
- Operating expenses of $39.0 million (2005 - $37.5 million) increased due to higher employee costs, amortization and technology costs.
- Debt was $25.4 million (2005 - $39.0 million). The decrease reflects repayment of $13.6 million in debt due to strong operating performance.
- Capital spending was $5.1 million (2005 - $5.6 million) which primarily related to leasehold improvements and the development of new applications and enhancements to existing information systems.

Key Financial Data

	2006 Actual	2006 Bus. Plan	2005	2004	2003	2002
Earnings	$8.7M	$5.4M	$8.3M	$8.3M	($5.8M)	($6.3M)
Total assets	$42.2M	$44.2M	$47.4M	$50.2M	$54.7M	$59.7M
ROA	19.5%	11.6%	17.0%	15.8%	(10.1%)	(10.9%)
Debt to EBITDA[1]	1.3	1.9	2.1	2.6	10.7	15.7

1 EBITDA: Earnings before interest, taxes, depreciation, and amortization

Comparison of 2006 Results with Budget

- Earnings were $3.3 million higher than the $5.4 million budget, primarily due to higher land transaction revenues and lower employee costs.
- Revenues exceeded the $45.7 million budget by $2.0 million, primarily due to higher than expected volume of land transactions and a number of high value transactions.
- Operating expenses were $1.3 million below the $40.3 million budget, primarily due to vacant management positions and the deferral of certain projects and initiatives to 2007.

2007 Outlook

- ISC expects increasing profitability through the development of new and enhanced products and services.
- ISC will continue to pursue opportunities to improve and enhance services in geomatics.
- ISC is working towards Level III of the National Quality Institute Healthy Workplace standards for 2008.
- ISC strives to be an employer of choice; innovative strategies will be implemented to attract and retain diversity and youth, and to ensure corporate memory is retained in the face of impending retirements.
- ISC will continue to ensure compliance with privacy legislation and standards.

Key Factors Affecting Performance

- Volume of searches and registrations are driven by economic activity.
- Revenues are influenced by property values.
- Achievement of targeted cost reductions and cost containment.

Insurance

SGI CANADA

Comparison of 2006 Results with 2005 Results

- Earnings were $52.1 million (2005 - $35.2 million), the highest in SGI CANADA's history. The increase is primarily due to strong out-of-province earnings and a lower level of summer storm related claims in Saskatchewan.
- Revenues were $321.4 million (2005 - $308.8 million). The increase is primarily due to growth in Saskatchewan commercial premiums and higher investment earnings.
- Claims incurred decreased to $157.1 million (2005 - $162.5 million) primarily due to reducing the estimate in 2006 for prior year Ontario auto claims and less summer storm activity in Saskatchewan.
- Capital spending decreased to $0.1 million (2005 - $3.3 million) due to the completion of main floor renovations at head office in 2005.
- Net risk ratio was 1.9 (2005 - 2.0).
- Return on equity was 34.2 per cent (2005 - 30.2 per cent).
- Dividends declared to CIC were $33.9 million (2005 - $22.9 million), in proportion to the higher earnings.

Key Financial Data

	2006 Actual	2006 Bus. Plan	2005	2004	2003	2002
Earnings	$52.1M	$33.8M	$35.2M	$41.7M	$21.2M	($8.8M)
Dividends declared to CIC	$33.9M	$22.0M	$22.9M	$27.1M	$13.8M	Nil
Total assets	$662.5M	$666.8M	$598.2M	$528.9M	$483.4M	$450.7M
ROE	34.2%	22.7%	30.2%	42.0%	23.9%	(9.8%)
Net risk ratio	1.9	1.9	2.0	2.7	2.8	2.1

Comparison of 2006 Results with Budget

- Earnings were $18.3 million higher than the $33.8 million budget primarily due to out-of-province earnings and better than expected investment earnings.
- Revenue exceeded the $313.2 million budget by $8.2 million due primarily to stronger than expected portfolio investment earnings.
- Claims incurred were $14.0 million lower than the $171.1 million budget primarily due to lower than expected claim costs from Ontario, the Maritimes and Saskatchewan.
- Dividends declared to CIC were $11.9 million higher than the $22.0 million budget, in proportion to the increased earnings.

2007 Outlook

- SGI CANADA anticipates the majority of revenue growth in 2007 will come from the most recent expansion in the provinces of Alberta, Nova Scotia and New Brunswick.
- Increasing competitive pressures will impact earnings.

Key Factors Affecting Performance

- Weather conditions (for example storm activity).
- Geographic diversification and the purchase of reinsurance, which passes part of the risk to other insurers, mitigates the effect of adverse weather conditions.
- Capital markets have a significant impact on investment earnings and profitability.
- Increased competition.

Key Operational Data

	2006	2005	2004	2003	2002
Permanent full time equivalents	1,525	1,496	1,460	1,454	1,457
Net premiums written	$301.2M	$286.4M	$278.0M	$249.0M	$225.9M
Number of policies in force	490,501	481,064	481,065	470,018	448,397
Number of claims	71,749	74,097	76,140	78,537	75,634

Insurance

SGI

Saskatchewan Auto Fund

The Saskatchewan Auto Fund (the Auto Fund) is not a subsidiary Crown corporation. Its results are included in this report because of SGI's administration of the Auto Fund. The results of the Auto Fund are not included in CIC's or SGI's consolidated financial statements.

Comparison of 2006 Results with 2005 Results

- Earnings before the 2006 rebate were $101.1 million (2005 - $45.3 million). After taking into account the $44.1 million rebate paid to policyholders in 2006, earnings for 2006 were reduced to $57.0 million. The increase over 2005 is a result of higher premium revenue and investment earnings, as well as a reduction in claim costs.
- Revenues increased to $641.1 million (2005 - $607.8 million) due to growth in premium revenue, a result of a new vehicle population, and an increase in the number of insured vehicles. Higher portfolio investment earnings were also a factor.
- Total claims and expenses were $540.0 million (2005 - $562.5 million). The decrease is primarily due to lower claim costs as a result of a one time improvement to injury benefits in 2005 for customers seriously injured prior to 2002.
- The Rate Stabilization Reserve increased to $205.6 million (2005 - $147.3 million) as a result of the $101.1 million in Auto Fund earnings partially offset by a rebate of $44.1 million paid in 2006.
- The Redevelopment Reserve was $33.7 million (2005 - $35.0 million). This reserve was established during 2005 to ensure adequate funding is available to meet the Auto Fund's commitment to redevelop its information systems.
- Capital spending increased to $6.5 million (2005 - $2.1 million) due to expenditures for the information system redevelopment.

Key Financial Data

	2006 Actual	2006 Bus. Plan	2005	2004	2003	2002
Earnings	$101.1M	($0.6M)	$45.3M	$124.9M	$11.5M	$0.8M
Total assets	$1,317.8M	$1,283.2M	$1,213.4M	$1,101.0M	$990.5M	$922.7M
Minimum capital test[1]	179%	125%	159%	N/A	N/A	N/A
Rate stabilization reserve	$205.6M	$153.8M	$147.3M	$136.9M	$14.4M	$2.8M

[1] The Minimum capital test (MCT) is a capital adequacy test widely used in the insurance industry and indicates capital available to pay claims compared to capital required. The Auto Fund introduced the measure in 2006. The Auto Fund's target MCT is between 100 per cent and 125 per cent.

Comparison of 2006 Results with Budget

- Earnings of $101.1 million exceeded the budgeted loss of $0.6 million by $101.7 million, which was primarily as a result of lower than anticipated claims incurred. Higher premium growth and strong portfolio investment earnings were also contributing factors.
- Revenue exceeded the $601.5 million budget by $39.6 million primarily due to higher than expected premium growth and strong portfolio investment earnings.
- Claims and expenses were $62.2 million lower than the $602.2 million budget primarily due to an unbudgeted actuarial adjustment that reduced the estimated cost of prior year claims and also due to lower than expected current year claim costs.

2007 Outlook

- A $100.0 million rebate on 2006 premiums before discounts will be issued to 2006 policy holders in 2007. As well, the Auto Fund has applied to the Saskatchewan Rate Review Panel for an average 5.0 per cent rate reduction, including rate rebalancing, to be effective July 1, 2007. These actions will bring the Minimum Capital Test in line with the Auto Fund's target.
- Work on the Auto Fund information system redevelopment continues, with the first of five releases going into production in 2007.

Key Factors Affecting Performance

- Winter driving conditions and summer storm activity have a significant influence on the financial results of the Auto Fund.
- Reinsurance protection is purchased to mitigate the effects of catastrophic events on the Rate Stabilization Reserve.
- Returns from capital markets have a significant impact on portfolio investment earnings.

Commodity Based Investments

Investment Saskatchewan Inc.

Comparison of 2006 Results with 2005 Results

- Net income, including results from discontinued operations was $72.9 million (2005 - $87.7 million loss). Earnings from continuing operations was $28.2 million (2005 - $27.7 million).
- Discontinued operations included Hypor, Crown Life Insurance Company, Centennial Foods Partnership, and Meadow Lake Pulp Limited Partnership (MLPLP). Hypor and a portion of Centennial Foods were exited in 2006 with the balance of the discontinued operations forecast to be exited during 2007.
- The 2005 loss was mainly attributable to MLPLP, which lost $127.9 million in 2005, including a write-down of $109.7 million. MLPLP's 2005 financial position was negatively impacted by the high Canadian dollar, increased transportation costs, low pulp prices, and rising power costs. MLPLP obtained protection under The **Companies' Creditors Arrangement Act (CCAA)** in late 2005 and most of its business assets were sold in early 2007.
- Revenue of $157.0 million (2005 - $160.9 million) decreased primarily due to lower earnings from equity investments. Earnings at Saskferco Products Inc. were down, due to lower fertilizer prices and earnings of Meadow Lake OSB were also lower due to reduced OSB prices.
- Expenses of $129.2 million (2005 - $107.2 million) increased primarily due to the higher operating expenses due to expansion and rising feed costs of Big Sky Farms Inc.
- Long-term debt of $71.5 million (2005 - $124.8 million) decreased primarily due to scheduled repayments of $57.6 million of long-term debt during the year.
- Capital spending for property, plant and equipment of $10.7 million (2005 - $17.2 million) decreased due to slower expansion by Big Sky Farms Inc., as a result of uncertainty with respect to slaughter capacity in Western Canada.
- Investment disbursements of $24.6 million (2005 - $12.1 million) increased due to increased activity in new loans and equity investments as a result of the strong Saskatchewan economy and positive business environment.
- Dividends declared to CIC were of $59.1 million (2005 - Nil). A dividend was not declared for 2005 due to the loss.

Key Financial Data

	2006 Actual	2006 Bus. Plan	2005	2004	2003	2002[1]
Earnings	$72.9M	$38.5M	($87.7 M)	$19.3M	$7.5M	N/A
Dividends declared to CIC	$59.1M	$8.5M[2]	Nil	$42.3M	Nil	N/A
Total assets	$1,369.1M	$698.6M	$1,362.1M	$704.9M	$691.2M	N/A
ROE	13.9%	7.6%	(16.2%)	4.0%	1.9%	N/A
Debt ratio	9.1%	13.3%	13.2%	10.6%	11.3%	N/A

[1] Formerly known as CIC Industries Inc. (CIC III), Investment Saskatchewan was established as a stand-alone entity in 2003. Prior to 2003, results for CIC III were included in CIC's annual report.

[2] CIC had not determined a dividend for Investment Saskatchewan at the time CIC's 2005 annual report was released.

Comparison of 2006 Results with Budget

- Net income was $34.4 million above budgeted earnings of $38.5 million due to a $31.5 million recovery of provisions related to MLPLP and a gain on the sale of investments.
- Revenues were substantially consistent with budgeted revenues of $158.2 million.
- Expenses were $10.1 million higher than the budget of $119.1 million, which was primarily due to higher costs from Big Sky Farm Inc.'s expanded hog operations and rising feed prices.
- Dividend was $50.6 million higher than the budget of $8.5 million due to stronger earnings than budgeted.
- Investment disbursements were $25.4 million below the budget of $50.0 million, which was primarily due to delays in funding of $25.9 million of committed investments. Funding is expected to occur in 2007.
- Total assets at year end were $670.5 million higher than the $698.6 million budget, since the budget assumed that 2005 discontinued operations would be exited by the end of 2006, whereas these exits have been delayed to 2007.

2007 Outlook

- Should suitable opportunities arise, Investment Saskatchewan Inc. anticipates up to $35.0 million in additional investments.
- Sale of MLPLP occurred in early 2007. As part of the conclusion of the CCAA process, Investment Saskatchewan will be:
  - Liquidating the remaining pulp inventory;
  - Collecting outstanding accounts receivable;
  - Cleaning up the mill site from operational waste created during the ownership period; and
  - Winding up the partnership.
- Investment Saskatchewan anticipates the final close of the sale of its investment in Crown Life to occur during 2007. This transaction will result in a distribution of cash and invested assets to the Corporation's wholly-owned subsidiary, HARO Financial Corporation, and in turn, to Investment Saskatchewan as repayment of loans and shares.
- Investment Saskatchewan anticipates disposing of its remaining interest in Centennial Foods Partnership in 2007. This is expected to result in a distribution of cash to the Corporation and wind-up of the partnership.
- Oriented strand board prices are projected to be weaker than those experienced in 2006.
- High natural gas prices and declining fertilizer prices will pressure earnings from fertilizer operations.

Key Factors Affecting Performance

- Commodity prices.
- U.S./Canadian exchange rate.
- Input costs.
- Risk management practices.
- Outcomes of outstanding insurance litigation and North American real estate markets that impact results of insurance operations.

NewGrade Energy Inc.

Commodity Based Investments

Comparison of 2006 Results with 2005 Results

- Earnings of $102.9 million (2005 - $88.9 million) increased primarily due to a general increase in differentials between Western Canadian oil prices for light and heavy crude oil and higher throughput.
- Revenues were $865.3 million (2005 - $757.4 million). Higher revenues were due to a general increase in differentials between Western Canadian oil prices for light and heavy crude oil and higher throughput.
- Expenses of $762.4 million (2005 - $668.5 million) increased primarily due to higher input costs for heavy oil feedstock and higher income tax expense due to increased earnings.
- Long-term debt of $10.2 million decreased (2005 - $20.6M) due to the two scheduled repayments made during the year.
- Capital spending of $2.6 million (2005 - $1.4 million) increased as a result of capital replacements at the upgrader facility.
- Dividends declared to CIC of $105.0 million were consistent with the dividend paid in 2005.

Key Financial Data

	2006 Actual	2006 Bus. Plan	2005	2004	2003	2002
Earnings (CIC's 50% share)	$102.9M	$61.4M	$88.9M	$40.2M	$32.3M	$6.5M
Dividends declared to CIC	$105.0M	$76.7M	$105.0M	$60.4M	$7.7M	N/A
Total assets (CIC's 50% share)	$149.8M	$200.0M	$171.3M	$167.7M	$177.4M	$188.8M

Comparison of 2006 Results with Budget

- Earnings were $41.5 million above the $61.4 million budget primarily due to higher than expected differentials and throughput.
- Revenues were $232.6 million above the $632.7 million budget primarily due to higher than expected differentials that reached record levels in 2006.
- Expenses were $191.1 million above the $571.3 million budget primarily due to higher than expected costs for feedstock, higher than budgeted throughput, and increased income tax expense due to higher earnings.
- Dividends to CIC were $28.3 million higher than the budgeted dividend of $76.7 million, in proportion to the increased earnings.

2007 Outlook

- Financial performance is expected to remain strong compared to historical results, but lower than the previous year, due mainly to lower differentials than those of 2006.
- Industry analysts forecast price differentials to remain fairly high compared to historic levels.
- NewGrade expects to process about the same volume of heavy crude as in 2006.
- A substantial cash dividend to the shareholders is expected at the end of 2007.
- Long-term debt will be fully repaid in 2007.

Key Factors Affecting Performance

- Price differentials: at budgeted operating levels, a $1.00 per barrel change in the price differential affects annualized earnings and cash flow by $18.7 million.
- Changes in the U.S./Canada exchange rate affect crude oil prices in Canada, and proportionately affect the price differential. A lower exchange value for the Canadian dollar increases the price differential and vice versa.
- Natural gas input costs: at budgeted natural gas purchases of 9.5 million gigajoules, a $1.00 per gigajoule decrease in price of natural gas increases earnings by $9.5 million per year.

Transportation

STC
The Bus Company

Comparison of 2006 Results with 2005 Results

- Operating loss before grant funding of $5.7 million (2005 - $5.4 million loss) increased primarily due to increased wages, advertising expenses and agency commission costs, which was partially offset by increased passenger revenues.
- CIC provided grants of $8.3 million (2005 - $7.4 million) to cover the operating cash shortfall and capital expenditures.
- Operating revenues were $15.5 million (2005 - $14.9 million). The increase is primarily due to increased ridership and a 4.5 per cent fare increase that took effect March 1, 2006.
- Operating expenses of $21.2 million (2005 - $20.3 million) increased primarily due to increased wages, advertising expenses and agency commission costs.
- Capital spending was $4.5 million (2005 - $3.8 million). This increase is primarily due to the construction of the new Regina facility that will be completed in early 2008.

Key Financial Data

	2006 Actual	2006 Bus. Plan	2005	2004	2003	2002
Operating loss	($5.7M)	($6.8M)	($5.4M)	($4.7M)	($4.6M)	($4.0M)
Operating grant from CIC	$4.0M	$5.0M	$3.5M	$3.7M	$1.6M	$2.4M
Capital grant from CIC	$4.3M	$10.7M	$3.9M	$1.9M	$1.9M	$2.4M
Subsidy per mile	$1.22	$1.46	$1.23	$1.02	$1.05	$0.87

Comparison of 2006 Results with Budget

- Operating loss before grant funding was $1.1 million better than the $6.8 million budgeted loss, primarily due to increased passenger revenues and lower than expected administration costs.
- Revenues were $0.8 million higher than the $14.7 million budget, primarily due to higher than expected ridership and increased charter activity.
- Expenses were $0.4 million below the $21.6 million budget.

2007 Outlook

- STC expects capital spending of $21.8 million in 2007, which is primarily for the construction of a new head office and depot. Construction of the new depot is expected to be completed in 2008.
- STC does not anticipate significant changes to its routes, however, options will be considered over the course of the year.
- STC expects further ridership increases as it continues to refocus on its services, advertising, and the construction of a safe and modern passenger depot.

Key Factors Affecting Performance

- Fluctuating fuel prices.
- Stagnant freight market.
- STC is experiencing a turnaround in ridership trends. STC experienced an increase in ridership in 2005 and 2006, which were the first increases in over 14 years.

Economic Growth

SOCO

Comparison of 2006 Results with 2005 Results

- Earnings of $4.9 million (2005 - $5.5 million) decreased. Although operating results improved in 2006, they were offset by increases in administration and amortization.
- Revenues were $24.6 million (2005 - $23.0 million). This increase was due mainly to increased activity in the Bio Processing Centre and a full year of operations at the Forest Centre. Also having an impact was increased operating cost recovery and interest revenues.
- Expenses of $19.7 million (2005 - $17.4 million) increased primarily due to increased costs resulting from more activity in the Bio Processing Centre and the Forest Centre. Also having an impact were increased operating costs such as property taxes, utilities and repairs, and increases to administration expenses.
- Capital spending of $17.5 million (2005 - $6.4 million) increased due to the construction of a new building at Innovation Place in Saskatoon.

Key Financial Data

	2006 Actual	2006 Bus. Plan	2005	2004	2003	2002
Earnings	$4.9M	$4.9M	$5.5M	$6.1M	($0.2M)	($1.4M)
Total assets	$36.6M	$42.0M	$14.2M	$12.7M	$157.5M	$148.0M
Capital spending	$17.5M	$25.1M	$6.4M	$8.8M	$18.2M	$2.3M

Comparison of 2006 Results with Budget

- Earnings were in-line with the $4.9 million budget.
- Revenues were $1.2 million higher than the $23.4 million budget primarily due to changes in accounting policies whereby SOCO consolidated the operations of 212822 Saskatchewan Ltd. (operating as Boffins at Innovation Place).
- Expenses were $1.2 million higher than the $18.5 million budget primarily due to the consolidation of Boffins.
- Investment in capital assets was $7.6 million below budget, as there was a delay in the design and tendering of the building projects for Regina.

2007 Outlook

- SOCO will continue to develop the research parks to ensure that quality infrastructure is in place to support and grow Saskatchewan's technology sector.
- SOCO will complete the construction of its newest building at Innovation Place in Saskatoon.
- SOCO will request approval of at least one building project at the Regina Research Park.
- SOCO will continue the design of a green science building in Regina and will be evaluating alternative financing arrangements to ensure the project is viable.

Key Factors Affecting Performance

- Construction costs for new buildings.
- Interest rates on borrowing for new buildings.
- Vacancy rates in SOCO buildings.

SASKATCHEWAN GOVERNMENT GROWTH FUND
MANAGEMENT CORPORATION

Economic Growth

Comparison of 2006 Results with 2005 Results

- Net loss of $0.9 million increased (2005 - $0.1 million), primarily due to the settlement of a lawsuit for $0.5 million, combined with higher legal and professional fees.
- Revenues of $1.4 million (2005 - $1.9 million) decreased, reflecting a declining investment portfolio upon which the management fee rate is based.
- Expenses of $1.9 million (2005 - $2.0 million) decreased, reflecting the decline in costs of the fund manager to administer the investment portfolio.
- SGGF fund companies are currently in wind-down. During their operating life, SGGF fund companies have invested more than $273.0 million in 72 Saskatchewan businesses.
- Total net earnings in the fund companies for the year were $0.8 million (2005 - $1.8 million restated), due to unrealized gains on investment values in the Funds, partially offset by losses from operations of the Funds.

Key Financial Data

	2006 Actual	2006 Bus. Plan	2005	2004	2003	2002
Earnings (loss)	($0.9M)	($0.1M)	($0.1M)	$0.5M	$0.4M	($0.4M)
Total assets	$3.5M	$1.9M	$4.0M	$4.1M	$3.5M	$4.2M

Comparison of 2006 Results with Budget

- Results were $0.8 million below the $0.1 million budgeted loss primarily due to the cost of settling an outstanding legal issue and ongoing legal and professional fees associated with winding down the operations of SGGF Ltd. The results for SGGF Ltd. are consolidated with SGGF MC for financial reporting purposes.
- SGGF MC's budget included a $1.6 million dividend to the GRF. The dividend will be deferred until all legal issues in SGGF Ltd. have been resolved.

2007 Outlook

- Although each of SGGF's fund companies is at a different stage in its investment life cycle, there are two general categories of funds.
  - The first group (SGGF Ltd. and II) has repaid investors and is focused on the wind-down of operations.
  - The second group of funds (SGGF III through VIII) is focused on managing investments to achieve the best possible liquidation proceeds to repay investors as notes mature.
- SGGF fund companies have provided an important source of venture capital financing in Saskatchewan to assist in economic development in the Province. As more funds reach maturity, increasing focus will be placed on extracting the most value from its remaining investments in order to maximize payments to its investors.

Key Factors Affecting Performance

- Ability of the fund companies to liquidate their investment portfolios at values and in the timeframe necessary to provide for full repayment of investor capital at maturity.
- Ability of the fund companies to recover their costs of operation from the revenues earned on investment funds under management.
- SGGF MC operates primarily on a cost-recovery basis and hence operates at, or near break-even.

Consolidated Financial Statements

Responsibility for Financial Statements

The accompanying Consolidated Financial Statements have been prepared by management of Crown Investments Corporation of Saskatchewan. They have been prepared in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Consolidated Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors is responsible for reviewing the annual financial statements and meeting with management, the Corporation's external auditors KPMG LLP, and the Provincial Auditor for Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor for Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

KPMG LLP has audited the Consolidated Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Consolidated Financial Statements, appears opposite.

Ron Styles
President & CEO

Blair Swystun, CFA
Vice-President & CFO

March 28, 2007

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the consolidated statement of financial position of **Crown Investments Corporation of Saskatchewan** as at December 31, 2006 and the consolidated statements of operations and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan

March 28, 2007

Consolidated Statement of Financial Position

As at December 31

(thousands of dollars)		2006		2005
ASSETS				
Current				
Cash	$	52,193	$	41,229
Short-term investments (Note 3)		568,325		684,493
Accounts receivable		650,256		651,398
Inventories (Note 4)		200,714		202,034
Prepaid expenses		116,119		109,700
Assets from discontinued operations (Note 5)		331,513		404,976
		1,919,120		2,093,830
Long-term investments (Note 6)		716,583		657,337
Property, plant and equipment (Note 7)		5,879,341		5,690,745
Other assets (Note 8)		395,994		417,141
Long-term assets of discontinued operations (Note 5)		459,820		389,307
	$	9,370,858	$	9,248,360
LIABILITIES AND PROVINCE'S EQUITY				
Current				
Bank indebtedness	$	35,363	$	17,024
Accounts payable and accrued liabilities		693,066		722,123
Notes payable (Note 9)		118,506		109,308
Dividend payable to General Revenue Fund		167,000		221,000
Deferred revenue		204,560		190,914
Income taxes payable		23,622		18,182
Liabilities from discontinued operations (Note 5)		164,247		164,630
Long-term debt due within one year (Note 10)		183,781		281,639
		1,590,145		1,724,820
Long-term debt (Note 10)		3,201,221		3,217,556
Deferred revenue and other liabilities (Note 11)		499,221		468,324
Long-term liabilities from discontinued operations (Note 5)		429,834		460,903
		5,720,421		5,871,603
Province of Saskatchewan's Equity				
Equity advances (Note 12)		1,181,152		1,181,152
Other equity items		(2,066)		(1,627)
Retained earnings		2,471,351		2,197,232
		3,650,437		3,376,757
	$	9,370,858	$	9,248,360

Commitments and contingencies (Note 13)
(See accompanying notes)

On behalf of the Board:

Maynard Sonntag

Director

Director

Consolidated Statement of Operations and Retained Earnings

For the Year Ended December 31

(thousands of dollars)	2006	2005
REVENUE		
Sales of products and services	$ 4,977,363	$ 4,757,034
Investment (Note 6(e))	85,145	89,555
Other	15,395	5,551
	5,077,903	4,852,140
EXPENSES		
Operating costs other than those listed below	3,871,455	3,667,500
Interest (Note 14)	248,077	243,939
Amortization of property, plant and equipment	431,578	406,455
Saskatchewan taxes and resource payments (Note 15)	101,213	99,944
	4,652,323	4,417,838
Earnings before the following	425,580	434,302
Future income tax expense (Note 16)	(4,398)	(35,881)
Current income tax expense (Note 16)	(43,734)	(20,249)
Non-recurring items (Note 17)	18,942	43,915
EARNINGS BEFORE DISCONTINUED OPERATIONS	396,390	422,087
GAIN (LOSS) FROM DISCONTINUED OPERATIONS (Note 5)	44,729	(115,422)
NET EARNINGS	441,119	306,665
RETAINED EARNINGS, BEGINNING OF YEAR	2,197,232	2,081,500
CONTRIBUTED SURPLUS APPLIED TO RETAINED EARNINGS (Note 18)	-	3,007
RELATED PARTY TRANSACTION ADJUSTMENT (Note 19)	-	(9,284)
ADJUSTMENT DUE TO CHANGE IN ACCOUNTING POLICY	-	36,344
	2,638,351	2,418,232
DIVIDEND TO GENERAL REVENUE FUND	(167,000)	(221,000)
RETAINED EARNINGS, END OF YEAR	$ 2,471,351	$ 2,197,232

(See accompanying notes)

Consolidated Statement of Cash Flows

For the Year Ended December 31

(thousands of dollars)	2006	2005
OPERATING ACTIVITIES		
Net earnings	$ 441,119	$ 306,665
Items not affecting cash from operations (Note 20)	293,427	738,812
	734,546	1,045,477
Net change in non-cash working capital balances related to operations	171,150	(178,703)
Cash provided by operating activities from continuing operations	905,696	866,774
Cash (used in) provided by operating activities from discontinued operations	(11,917)	24,372
Cash provided by operating activities	893,779	891,146
INVESTING ACTIVITIES		
Purchase of investments	(733,798)	(815,282)
Proceeds from sales and collections of investments	751,432	819,555
Purchase of property, plant and equipment	(632,678)	(695,009)
Proceeds from sale of property, plant and equipment	8,806	4,846
Decrease (increase) in other assets	11,874	(31,408)
Cash acquired on business acquisitions	-	27,012
Cash used in investing activities	(594,364)	(690,286)
FINANCING ACTIVITIES		
Increase (decrease) in notes payable	9,198	(6,092)
Increase in deferred revenue and other liabilities	13,434	20,933
Long-term debt proceeds from General Revenue Fund	153,463	379,107
Long-term debt proceeds from other lenders	7,346	28,128
Long-term debt repayments to General Revenue Fund	(193,171)	(218,806)
Long-term debt repayments to other lenders	(81,148)	(62,992)
Dividend paid to General Revenue Fund	(221,000)	(263,000)
Cash used in financing activities	(311,878)	(122,722)
NET CHANGE IN CASH DURING YEAR	(12,463)	78,138
CASH POSITION, BEGINNING OF YEAR	74,693	(3,445)
CASH POSITION, END OF YEAR	$ 62,230	$ 74,693
Cash position consists of:		
Cash from continuing operations	$ 52,193	$ 41,229
Bank indebtedness from continuing operations	(35,363)	(17,024)
	16,830	24,205
Cash from discontinued operations	74,903	68,647
Bank indebtedness from discontinued operations	(29,503)	(18,159)
	$ 62,230	$ 74,693

(See accompanying notes)

Notes to Consolidated Financial Statements

December 31, 2006

1. Summary of Significant Accounting Policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, within reasonable limits of materiality, using the accounting policies summarized below:

a) Consolidation principles and basis of presentation

Certain Saskatchewan provincial Crown corporations are designated as subsidiary Crown corporations of Crown Investments Corporation of Saskatchewan (CIC) under **The Crown Corporations Act, 1993** (the Act). In addition, certain Saskatchewan provincial Crown corporations created under the Act are CIC Crown corporations. The Act assigns specific financial and other responsibilities regarding these corporations to CIC.

Separate audited financial statements for CIC have been prepared on a non-consolidated basis to show the financial position and results of operations of the corporate entity. In addition, separate audited financial statements for each of the under noted Crown corporations are prepared and submitted annually to the Legislative Assembly.

In addition to the Crown corporations listed below, CIC also consolidates the accounts of Gradworks Inc., a wholly-owned non-profit subsidiary, and its wholly-owned share capital subsidiaries First Nations and Métis Fund Inc., and CIC Economic Holdco Ltd.

The following Crown corporations have been designated or created as subsidiary Crown corporations of CIC and have been consolidated in these financial statements:

Information Services Corporation of Saskatchewan
Investment Saskatchewan Inc.
SaskEnergy Incorporated
Saskatchewan Development Fund Corporation
Saskatchewan Government Growth Fund Management Corporation
Saskatchewan Government Insurance
Saskatchewan Opportunities Corporation
Saskatchewan Power Corporation
Saskatchewan Telecommunications
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Transportation Company
Saskatchewan Water Corporation

Throughout these financial statements the phrase "the Corporation" is used to collectively describe the activities of the consolidated entity.

b) Joint ventures

The Corporation's share of jointly controlled enterprises included in these financial statements is as follows:

Centennial Foods Partnerships	**33%**
Cory Cogeneration Funding Corporation	**50%**
Cory Cogeneration Joint Venture	**50%**
Foragen Technologies Limited Partnership	**33%**
Heritage Gas Limited	**50%**
NewGrade Energy Inc.	**50%**
Saskatchewan Entrepreneurial Fund Joint Venture	**45%**

The consolidated financial statements are presented at December 31 and include the proportionate results of NewGrade Energy Inc. at its year end October 31. All other joint ventures are included at December 31.

Notes to Consolidated Financial Statements

December 31, 2006

1. Summary of Significant Accounting Policies (continued)

c) Variable interest entities

The Corporation consolidates certain entities over which the Corporation does not have voting control. Such an entity is referred to as a variable interest entity ("VIE"). In general, the investors of consolidated variable interest entities have recourse only to the assets of those variable interest entities and do not have recourse to the Corporation except where the Corporation has provided a guarantee to the investors.

An entity is classified as a VIE if it has (1) equity that is insufficient to permit the entity to finance its activities without additional subordinated financial support from other parties; or (2) equity investors that cannot make significant decisions about the entity's operations, or that do not absorb the expected losses or receive the expected returns of the entity. A VIE is consolidated by its primary beneficiary, which is the party involved with the VIE that will absorb a majority of the expected losses or will receive the majority of the expected residual returns or both, as a result of ownership, contractual or other financial interests in the VIE.

The Corporation has determined that the following entities fall under the classification of a VIE and have been consolidated in these financial statements:

HARO Financial Corporation (HARO)
Meadow Lake Pulp Limited Partnership (MLPLP)
Prairie Ventures Limited Partnership (PVF)
212822 Saskatchewan Ltd.

The Corporation is the primary beneficiary of HARO and MLPLP which are also discontinued operations as disclosed in Note 5. PVF's and 212822 Saskatchewan Ltd.'s impact is not material to the Corporation's consolidated financial position or results of its operations.

d) Short-term investments

Short-term investments have a maturity date of ninety days or less from the date of acquisition. These investments are carried at cost which approximates fair value.

e) Inventories

Inventories for resale are valued at the lower of average cost and net realizable value. Other supplies inventories are valued at the lower of cost and replacement cost.

f) Long-term investments

Long-term investments in bonds, debentures and mortgages are recorded at amortized cost. Long-term investments in shares of private and public companies in which the Corporation does not exercise significant influence are recorded at cost and dividends from these shares are recorded as income when receivable. Other long-term investments are recorded at cost.

Where the Corporation has investments in shares and exercises significant influence, the investments are accounted for by the equity method and the Corporation's investment is adjusted for its share of the investee's net earnings or losses and reduced by dividends received or receivable.

When there has been a decline in the value of a long-term investment that is not considered temporary, the investment is written down to its fair value.

Notes to Consolidated Financial Statements

December 31, 2006

1. Summary of Significant Accounting Policies (continued)

g) Property, plant and equipment

Property, plant and equipment are recorded at cost and include materials, services, direct labour and overhead costs which are readily identifiable with the construction activity or asset acquisition. Interest costs associated with major capital and development projects are capitalized during the construction period at the effective interest rate of long-term borrowings in the current year. Assets under construction are recorded as in progress until they are operational and available for use, at which time they are transferred to property, plant and equipment.

The costs of maintenance, repairs, renewals or replacements which do not extend productive life are charged to operations as incurred. The costs of replacements and improvements which extend productive life are capitalized.

When property, plant and equipment are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in net earnings for the year with the following exceptions. Natural gas utility operations apply this general policy only to complete asset units. Gains or losses on the disposal or retirement of incomplete asset units are included in accumulated amortization.

Customer capital contributions related to the construction of new service connections are applied against property, plant and equipment and are amortized on a straight-line basis over the estimated service life of the related asset.

h) Amortization of property, plant and equipment

Amortization is recorded on machinery and equipment, buildings and improvements, as well as coal properties and rights, primarily on the straight-line basis over the estimated productive life of each asset as follows:

Machinery and equipment	2 - 50 years
Buildings and improvements	20 - 40 years
Coal properties and rights	30 years

i) Asset retirement obligations

The Corporation recognizes asset retirement obligations in the period they are incurred if a reasonable estimate of fair value (net present value) can be determined. An asset retirement obligation is a legal obligation associated with the decommissioning of a long-lived asset. The Corporation recognizes asset retirement obligations to decommission facilities in the period in which the facility is commissioned. For assets that are expected to be maintained and operated indefinitely, a reasonable estimate of fair value for the assets cannot be determined. Therefore, no obligation has been recorded.

The fair value of the estimated asset retirement costs is recorded as a liability in other liabilities with an offsetting amount capitalized and included as part of property, plant and equipment. The asset retirement obligations are increased annually for the passage of time by calculating accretion (interest) on the liability while the offsetting capitalized asset retirement costs are depreciated over the estimated useful life of the related asset. The accretion expense is calculated using an interest rate that equates to a risk-free interest rate adjusted for the credit standing of the Corporation and is included in operating expense.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows including the method and timing of decommissioning and estimates of future inflation.

Notes to Consolidated Financial Statements

December 31, 2006

1. Summary of Significant Accounting Policies (continued)

i) Asset retirement obligations (continued)

Asset retirement obligations are revised periodically in accordance with changes in assumptions and estimates underlying the calculations and with experience arising from the removal of property, plant and equipment. Changes are recognized as an increase or decrease in the carrying amount of the liability for the asset retirement obligation and the related asset retirement cost.

j) Impairment of long-lived assets

The Corporation evaluates its property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. An impairment is recognized when the carrying amount of an asset exceeds the undiscounted projected future net cash flows expected from its use and disposal, and is measured as the amount by which the carrying amount of the asset exceeds its fair value.

k) Disposal of long-lived assets and discontinued operations

Assets held for sale are measured at the lower of their carrying amounts and fair value less costs to dispose and are no longer amortized. Assets and liabilities held for sale are reported separately on the statement of financial position. A component of the Corporation that is held for sale is reported as a discontinued operation if the operations and cash flows of the component will be eliminated from the ongoing operations as a result of the disposal transaction and the Corporation will not have a significant continuing involvement in the operations of the component after the disposal transaction.

l) Environmental remediation liabilities

Environmental remediation liabilities are accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations, remediation, operations, maintenance and monitoring at identified sites and are included in other liabilities. These liabilities are based on management's best estimate considering current environmental laws and regulations and have been recorded at undiscounted amounts. The Corporation reviews its estimates of future environmental expenditures on an ongoing basis.

m) Other assets

Natural gas in storage
Natural gas in storage held for resale (both current and non-current) is stated at the lower of cost and net realizable value. Natural gas held for resale removed from storage is accounted for on an average cost basis.

Deferred benefit pension asset
This represents the surplus in the defined benefit pension plans based on long-term assumptions. The deferred benefit pension asset is accounted for in the policy described in Note 1(t) Employee future benefits.

Notes to Consolidated Financial Statements

December 31, 2006

1. Summary of Significant Accounting Policies (continued)

m) Other assets (continued)

Customer accounts

Finite-life intangible assets, including customer accounts, are assets acquired individually, with a group of other assets or through the Corporation's authorized dealers are recorded at cost. Customer accounts acquired are capitalized and amortized on a straight-line basis over the estimated useful lives of three to ten years from the date of acquisition.

Deferred supply agreements

Deferred supply agreements include payments made in accordance with long-term coal supply agreements. The Corporation is amortizing the deferred assets over the remaining life of the long-term coal supply agreements.

Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Corporation's reporting units that are expected to benefit from the synergies of the business combination. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets may be impaired. Any goodwill impairment is presented as a change against earnings in the year impairment is recognized.

n) Income taxes

The Corporation uses the asset and liability method of accounting for income taxes. Current income taxes are recognized as estimated income taxes payable for the current year. Future income tax assets and liabilities consist of temporary differences between tax and accounting bases of assets and liabilities as well as the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. The effect on future tax assets and liabilities of a change in tax rates is recognized as income in the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

o) Deferred revenue due within one year

Current deferred revenue primarily consists of insurance premiums. These unearned premiums are taken into income over the life of the policy.

p) Provision for unpaid insurance claims

The provision for unpaid insurance claims represents an estimate of the total cost of claims to the year-end date. Included in the estimate are reported claims, claims incurred but not reported and an estimate of adjustment expenses to be incurred on these claims. The provision is calculated without discounting except for long-term disability claims. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as claims incurred in the current period.

Notes to Consolidated Financial Statements

December 31, 2006

1. Summary of Significant Accounting Policies (continued)

q) Revenue recognition

Gas marketing
Revenue from natural gas marketing is recorded in the financial statements upon completion of the delivery of natural gas to the customer. The Corporation acts as a principal in these natural gas marketing transactions, taking title to the natural gas purchased for resale, and assuming the risks and rewards of ownership.

Natural gas commodity
Delivery and commodity revenue is recognized when natural gas is delivered to customers. The estimate of services rendered but not billed is included in accounts receivable.

Electricity
Electricity revenue is recognized upon delivery to the customer and includes an estimate of electrical deliveries not yet billed at year-end. Physical electricity trading revenues are reported on a gross basis upon completion of delivery of electricity to the customers.

Telecommunications
Revenues are recognized in the period the services are provided when there is clear proof that an arrangement exists, amounts are determinable and the ability to collect is reasonably assured. Revenues from local telecommunications, data, internet, entertainment and security services are recognized based on access to the Corporation's network and facilities at the rate plans in effect during the period the service is provided. Certain service connection charges and activation fees, along with corresponding direct costs, are deferred and recognized over the average expected term of the customer relationship. Revenues from long distance and wireless airtime are recognized based on the usage or rate plans in the period service is provided. Revenues from equipment sales are recognized when the equipment is delivered to and accepted by the customer. Revenues for longer term contracts are recognized based on a percentage of completion. Payments received in advance are recorded as deferred revenue until the product or service is delivered.

Customer solutions may involve the delivery of multiple services and products that occur at different points and over different periods of time. The multiple services are separated into their respective accounting units and consideration is allocated among the accounting units. The relevant revenue recognition policies are applied to each accounting unit.

Property and casualty insurance
Premiums written are taken into income over the terms of the related policies; no longer than twelve months. Unearned premiums represent the portion of the policy premiums relating to the unexpired term of each policy.

Investment income
Interest earned on long-term investments is recognized on an accrual basis except where uncertainty exists as to ultimate collection. In cases where collectibility of interest is not reasonably assured, interest income is recorded when it is received and accrued interest receivable is offset by deferred interest income.

Other
Revenues from sales of reconstituted and synthetic crude are recorded on the basis of regular meter readings. Revenue from sales of other products is recognized when goods are shipped and title has passed to the customer or based on the right to revenue pursuant to contracts with customers, tenants and clients.

Notes to Consolidated Financial Statements

December 31, 2006

1. Summary of Significant Accounting Policies (continued)

r) Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated at the rate of exchange in effect at year end. Revenues, expenses and non-monetary items are translated at rates prevailing at the transaction date. Exchange gains and losses are included in earnings in the current year.

s) Derivative financial instruments

The Corporation uses derivative financial instruments to manage the market exposure related to the commodity price for natural gas, power, hog sales and feed component purchases, foreign currency exchange rates and interest rates. The Corporation's policy is not to use derivative financial instruments for trading or speculative purposes.

Economic hedging
Derivative financial instruments that do not qualify as a hedge for accounting purposes or are not designated as a hedge for accounting purposes are recorded at fair value in the statement of financial position in accounts receivable, or accounts payable as applicable. Gains and losses resulting from changes in fair value are recorded in the statement of operations and retained earnings in operating costs and other revenue for changes in fair value with respect of its hog sales and feed component purchases.

Hedging
The Corporation formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the statement of financial position or to specific firm commitments or anticipated transactions. The Corporation also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Corporation can designate a derivative financial instrument as a hedge for accounting purposes when there is a high degree of correlation between price movements in the derivative financial instrument and the item designated as being hedged. Gains and losses are recognized and recorded in the statement of operations and retained earnings upon settlement of the derivative financial instruments. If correlation ceases or the Corporation terminates its designation of the derivative financial instrument as a hedge for accounting purposes, future changes in the market value of the derivative financial instruments are recognized as gains or losses in the period of change.

Notes to Consolidated Financial Statements

December 31, 2006

1. Summary of Significant Accounting Policies (continued)

t) Employee future benefits

The Corporation has three defined benefit pension plans, a defined contribution pension plan, and other plans that provides retirement benefits for its employees. For its defined benefit plans, the Corporation has adopted the following policies:

i) For the purpose of calculating the expected return on plan assets, those assets are valued at market value, which approximates fair value.
ii) Pension obligations are determined by an independent actuary using the projected benefit method prorated on service and management's best estimate assumptions of expected plan investment performance, salary escalation, age at retirement, mortality of members and future pension indexing, based upon the consumer price index.
iii) The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date of high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.
iv) Past service costs from plan amendments and the transitional asset are amortized on a straight-line basis over a period of time which is a blending of the expected average remaining service lifetime of the active members and the future life expectancy of the pensioners.
v) The excess of the net actuarial gain (loss) over 10 per cent of the greater of the accrued benefit obligation and the fair value of the plan assets is amortized over a period of time which is blending of the expected average remaining service lifetime of the active members and the future life expectancy of the pensioners, or the plan assets are amortized over the remaining life of retired members of the plan.
vi) When the restructuring of a benefit plan results in a settlement and a curtailment of obligations, the curtailment is accounted for prior to the settlement.

The Corporation also provides defined benefit service recognition plans for employees. The cost of the plan is determined using the projected benefit method prorated on service.

u) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant items subject to estimates and assumptions include the carrying amounts of property, plant and equipment and underlying estimations of useful lives of depreciable assets, capitalization of interest, disposal of long-lived assets, asset retirement obligations, and labour and overhead; provision for unpaid claims; the carrying amounts of accounts receivable, inventory, investments, natural gas in storage, goodwill, and customer accounts; the accounting for variable interest entities, discontinued operations, fair value of derivative financial instruments, environmental liabilities and future income taxes and underlying estimates of future cash flow; and the carrying amounts of employee future benefits and underlying actuarial assumptions. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

Notes to Consolidated Financial Statements

December 31, 2006

2. Status of Crown Investments Corporation of Saskatchewan

Crown Investments Corporation of Saskatchewan was established by Order in Council 535/47 dated April 2, 1947, and is continued under the provisions of **The Crown Corporations Act, 1993**. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is not subject to Federal and Provincial income taxes. Certain jointly controlled enterprises and subsidiaries are not Provincial Crown corporations and are subject to Federal and Provincial income taxes.

3. Short-Term Investments

Short-term investments consist of funds invested at an effective interest rate of 4.27 per cent (2005 - 3.27 per cent).

4. Inventories

(thousands of dollars)	2006	2005
Raw materials	$ 147,851	$ 150,589
Finished goods	46,900	46,217
Work-in-progress	5,963	5,228
	$ 200,714	$ 202,034

5. Discontinued Operations

Long-lived assets are classified as held for sale when specific criteria are met. During the year, the Corporation determined that assets held in its joint venture Centennial Foods Partnership, as well as its subsidiaries MLPLP and Crown Life Insurance Company, meet the criteria and should be disclosed as discontinued operations. The Corporation has classified the assets, liabilities, revenue, expenses and cash flows of these operations as discontinued.

Crown Life Insurance Company (Crown Life)

In 1999, substantially all of Crown Life's insurance business was sold or indemnity reinsured to The Canada Life Assurance Company (Canada Life). The resulting comprehensive agreement between Crown Life and its principal shareholders provides that at any time after January 1, 2004, Canada Life may either acquire substantially all of the balance of Crown Life's insurance business or, at the election of Canada Life or Crown Life's principal shareholders, make an offer for all of the common shares of Crown Life. In July 2003, Great West Life acquired Canada Life, which resulted in a delay in the start of negotiations with Crown Life on the final settlement of the Canada Life transaction.

Recent discussions with Crown Life, Canada Life, and Great West Life have indicated that the second and final close of the sale of Crown Life will take place in 2007. The final close will result in the distribution of cash and invested assets to the shareholders. The Corporation has determined that it will have no continuing involvement in the operations of Crown Life after completion of the final close, and has classified as discontinued operations, the operating results of Crown Life for 2006 and 2005.

Notes to Consolidated Financial Statements

December 31, 2006

5. Discontinued Operations (continued)

Centennial Foods Partnership

On July 30, 2005, Centennial Foods Partnership restructured its operations into three separate partnerships, Centennial Foodservice Partnership, New Food Classics Partnership, and Centennial 67 Partnership.

In February 2006, New Food Classics Partnership was sold to a third party. During 2007, the Corporation anticipates disposing of its interests in Centennial Foodservice Partnership and Centennial 67 Partnership. The Corporation has determined that it will have no continuing involvement in the operations of this business after completion of the sales. Therefore, the Corporation classified as discontinued operations, the operating results of Centennial Foods Partnership for 2006 and 2005.

Meadow Lake Pulp Limited Partnership

On December 28, 2005, MLPLP obtained creditor protection under the **Companies' Creditors Arrangement Act** ("CCAA"). The CCAA Order provided for a thirty-day general stay period that expired on January 27, 2006, and has been extended several times to April 30, 2007. The stay generally precludes parties from taking any actions against MLPLP for breach of contractual or other obligations. The CCAA process also provided time for the Court-appointed monitor and the Corporation to investigate all options with respect to the future of the mill including the development of a cost reduction plan and pursuing potential purchasers of the mill.

On January 9, 2006, the Corporation approved the provision of up to $15.0 million in Debtor-in Possession (DIP) financing to the pulp mill. The purpose of this temporary short-term liquidity facility is to assist the pulp mill during its restructuring efforts. The DIP facility is secured by mortgages, general security agreements, share pledges in respect of all shares owned by or on behalf of the Borrowers, and other interests, fixed and floating charge debentures, security interests, hypothecs or equivalent, including without limitation, mortgages on all real property, first in priority against all assets of the pulp mill, subject only to the Administrative Charge and the Directors' Charge as provided in the CCAA Order and to the prior security of HSBC Bank Canada.

On December 2, 2006, MLPLP and the Corporation signed a Purchase and Sale agreement with a third party for the sale of the fixed assets and raw materials inventory of the mill. The Saskatchewan Court of Queen's Bench ("Court") approved the sale transaction on January 12, 2007 and the transaction closed on January 23, 2007 (Note 27).

As at December 31, 2006, it is not determinable whether the Corporation would have any significant involvement in the operations of the business after the disposal transaction. Therefore, the Corporation classified as discontinued operations, the operating results of MLPLP for 2006 and 2005.

Notes to Consolidated Financial Statements

December 31, 2006

5. Discontinued Operations (continued)

Assets held for disposal are comprised of the following:

(thousands of dollars)	2006	2005
Cash	$ **74,903**	$ 68,647
Accounts receivable	**42,092**	24,036
Inventory	**41,658**	47,630
Prepaid expenses	**9,619**	3,967
Short-term investments (a)	**135,528**	240,019
Long-term assets classified as current (b)	**27,713**	20,677
	331,513	404,976
Long-term investments (e)	**429,235**	381,998
Property, plant and equipment	**1,786**	2,113
Other assets	**28,799**	5,196
	459,820	389,307
	$ **791,333**	$ 794,283

Obligations related to assets held for disposal are comprised of the following:

(thousands of dollars)	2006	2005
Bank indebtedness (f)	$ **29,503**	$ 18,159
Accounts payable and accrued liabilities	**124,812**	141,576
Long-term debt due within one year	**-**	665
Asset retirement obligation	**9,250**	-
Long-term liabilities classified as current (b)	**682**	4,230
	164,247	164,630
Long-term debt (g)	**7,430**	26,441
Other liabilities (h)	**369,007**	387,678
	376,437	414,119
Non-controlling interest	**53,397**	46,784
	429,834	460,903
	$ **594,081**	$ 625,533

Notes to Consolidated Financial Statements

December 31, 2006

5. Discontinued Operations (continued)

Discontinued operations are comprised of the following:

(thousands of dollars)		2006		2005
Revenue	$	297,403	$	344,907
Expenses (d)		(261,537)		(460,329)
		35,866		(115,422)
Gain on sale of discontinued operations		8,863		-
Gain (loss) from discontinued operations	$	44,729	$	(115,422)

a) Short-term investments consist of money market instruments with an original maturity greater than ninety days and less than one year. At December 31, 2006, the weighted average yield on such instruments was 5.00 per cent.

b) Long-term assets and long-term liabilities that have been sold since December 31, 2006 have been reclassified to current assets and current liabilities.

c) The fair value of HARO is subject to measurement uncertainty since the value is dependent on proceeds received on the final close of the sale of Crown Life. Management's estimate of the fair value of HARO is based on assumptions that reflect the most probable set of economic circumstances. However, this estimate could change by a material amount in the near term.

d) The fair value of MLPLP is subject to measurement uncertainty since the value is dependent upon the present value of the cash flows provided by the sale of the remaining MLPLP assets.
Using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and based on the sale transaction referred to above, the Corporation has decreased the provision by $31.5 million in the current year, resulting in a net carrying value of $42.9 million on its investments in MLPLP. However, given the wide fluctuations in world commodity prices for pulp and the U.S./Canada exchange rate, this estimate could change by a material amount in the near term.

e) Long-term investments include bonds and mortgage loans of $397.1 million (2005 - $319.2 million), shares of private corporations of $11.9 million (2005 - $13.1 million), receivables under reinsurance agreements of $20.2 million (2005 - $25.3 million) and other assets of Nil (2005 - $24.4 million). Bonds and mortgage loans have maturities ranging from under five years to over ten years.
At December 31, 2006, the weighted average effective annual investment yields for the portfolios of bonds and mortgage loans are 6.1 per cent and 11.2 percent respectively.

f) Bank indebtedness includes operating credit facilities to a maximum $53.0 million (2005 - $68.0 million) subject to margining requirements based on accounts receivable and inventory levels. The facilities bear interest at rates ranging from 6.00 per cent to 8.00 per cent (2005 - 5.00 per cent to 5.75 per cent).

Notes to Consolidated Financial Statements

December 31, 2006

5. Discontinued Operations (continued)

g) The Corporation has term loans and mortgages payable with interest rates ranging from 4.93 per cent to 8.20 per cent (2005 - Nil per cent to 11.15 per cent) with maturities extending to 2014 (2005 - 2014).

h) Other liabilities substantially consist of policy liabilities of Crown Life. The policy liabilities include provision for future policy benefits, policyholders' funds on deposit and benefits payable and provision for unreported claims.

i) The future minimum payments under operating leases and contractual obligations for services in each of the next five years are as follows:

(thousands of dollars)		
2007	$	**836**
2008		**743**
2009		**385**
2010		**289**
2011		**245**

j) Related Party Transactions included in Discontinued Operations

Included in these consolidated financial statements are transactions with various Saskatchewan departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are summarized as follows:

(thousands of dollars)		**2006**		2005
Category				
Accounts receivable	$	**-**	$	77
Prepaid expenses		**6,305**		3,000
Accounts payable and accrued liabilities		**689**		158
Revenue		**-**		643
Expenses		**62,236**		61,677

In addition, the Corporation pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. The Corporation records taxes paid as part of the cost of those purchases.

Notes to Consolidated Financial Statements

December 31, 2006

6. Long-Term Investments

(thousands of dollars)	Voting Percentage		2006		2005
Equity Investments					
Saskferco Products Inc. (a)	49.5%	$	127,714	$	129,537
ML OSB Limited Partnership (b)	25.0%		34,334		34,963
MRM Cogeneration Station (c)	30.0%		31,814		28,165
Other share investments - equity basis			44,127		36,324
			237,989		228,989
Portfolio Investments					
Share investments - cost basis			111,371		75,832
Bonds, Debentures, Loans and Notes Receivable					
Bonds and debentures			346,138		329,581
Loans and notes receivable			17,422		15,629
			363,560		345,210
Property Holdings			90		3,154
Leases Receivable			3,573		4,152
		$	716,583	$	657,337

a) The Corporation owns all of the outstanding 68,449,080 (2005 - 68,449,080) Class B common shares of Saskferco Products Inc. (Saskferco) representing a 49.5 per cent interest.

b) The Corporation, is a limited partner in Meadow Lake OSB Limited Partnership (ML OSB). ML OSB operates an oriented strand board facility near Meadow Lake, Saskatchewan. The Corporation holds a 25.0 per cent interest in ML OSB (2005 - 25.0 per cent).

The Corporation has issued 19,980,000 options to certain parties to purchase its units of ML OSB. The exercise price on 9,980,000 units is fair market value, and the exercise price on 10,000,000 units is cost, plus pro-rata share of capital taxes paid, less distributions received, plus interest. The expiry date for 9,980,000 units is October 2008 and the expiry date for 10,000,000 units is December 2011. If all options are exercised, the Corporation's interest would be diluted to 6.8 per cent.

The Corporation calculates its share of earnings using the equity method for the 9,980,000 units and the 7,500,000 non-optioned units, and the modified cost method, as described above, is used for the remaining 10,000,000 units.

c) The Corporation has a 30.0 per cent ownership interest in the MRM Cogeneration Station. The 170 megawatt natural gas-fired cogeneration facility is located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta.

Notes to Consolidated Financial Statements

December 31, 2006

6. Long-Term Investments (continued)

d) The Corporation holds one Class B share of Cameco Corporation (Cameco) which provides the Corporation with the ability to exercise special voting rights with respect to the location of Cameco's head office.

e) Included in investment revenue are earnings (losses) from equity investments as follows:

(thousands of dollars)		2006		2005
Saskferco Products Inc.	$	15,136	$	27,167
MRM Cogeneration Station		8,449		2,705
ML OSB Limited Partnership		1,751		11,939
Other		(432)		(689)
	$	24,904	$	41,122

7. Property, Plant and Equipment

(thousands of dollars)			2006					2005
		Cost		Accumulated Amortization		Net Book Value		Net Book Value
Machinery and equipment	$	9,720,864	$	4,981,044	$	4,739,820	$	4,352,685
Buildings and improvements		1,301,527		606,626		694,901		688,353
Plant under construction		316,230		-		316,230		529,173
Land, coal properties and rights		219,755		91,365		128,390		120,534
	$	11,558,376	$	5,679,035	$	5,879,341	$	5,690,745

During the year, the Corporation recorded a long-lived asset impairment of Nil (2005 - $15.3 million) which has been included in accumulated amortization.

8. Other Assets

(thousands of dollars)		2006		2005
Natural gas in storage	$	156,842	$	167,285
Deferred pension costs		82,812		82,454
Customer accounts acquired (a)		28,369		29,661
Deferred supply agreements		26,183		30,190
Goodwill		21,333		21,936
Future income tax asset (Note 16)		20,971		27,323
Other deferred charges		59,484		58,292
	$	395,994	$	417,141

(a) Amortization of customer accounts acquired for the year ended December 31, 2006 was $5.8 million (2005 - $5.7 million) and is expensed as part of operating costs.

Notes to Consolidated Financial Statements

December 31, 2006

9. Notes Payable

Notes payable are due to the General Revenue Fund (GRF). These notes are due on demand and have an effective interest rate of 4.07 per cent (2005 - 3.44 per cent).

10. Long-Term Debt

(thousands of dollars)		**2006**		2005	
		Principal Outstanding	**Effective Interest Rate**	Principal Outstanding	Effective Interest Rate
Years to Maturity					
A. General Revenue Fund	**U.S.**	**Canadian**			
Canadian Dollar Issues					
1 - 5 years		**$ 799,167**	**7.90**	$ 975,557	8.02
6 - 10 years		**290,617**	**5.86**	249,555	6.04
11 - 15 years		**289,369**	**9.63**	289,369	9.63
16 - 20 years		**675,120**	**9.10**	675,120	9.10
21 - 25 years		**160,000**	**5.69**	135,000	5.71
26 - 30 years		**1,285,000**	**5.67**	1,185,000	5.73
		3,499,273		3,509,601	
Less:					
Sinking fund balance		**(290,304)**		(251,702)	
Total due to GRF		**3,208,969**		3,257,899	
B. Other long-term debt					
Canadian Dollar Issues (due 2007 to 2026)		**165,784**	**8.79**	220,744	8.46
U.S. Dollar Issues (due 2007)	**$ 9,126**	**10,249**	**10.05**	20,552	10.05
Total other long-term debt		**176,033**		241,296	
		3,385,002		3,499,195	
Less:					
Due within one year		**(183,781)**		(281,639)	
TOTAL LONG-TERM DEBT		**$ 3,201,221**		$ 3,217,556	

There is a requirement attached to certain interest-bearing issues from the GRF to make annual payments into sinking funds in amounts representing 1.0 per cent to 3.0 per cent of the original issue. The cumulative annual payments plus interest earned are used for the retirement of debt issues, upon maturity, with the GRF on a net basis. Sinking funds are valued at amortized cost. When there has been a decline in the value of the investment of the sinking fund that is not considered temporary, the investment is written down to its fair value.

Notes to Consolidated Financial Statements

December 31, 2006

10. Long-Term Debt (continued)

Principal repayments (including sinking funds) due in each of the next five years are as follows:

(thousands of dollars)		
2007	$	**183,781**
2008		**488,500**
2009		**86,792**
2010		**199,414**
2011		**50,662**

Long-term debt payable in U.S. dollars has been translated into Canadian dollars at an exchange rate of 1.123 (2005 - 1.181).

11. Deferred Revenue and Other Liabilities

(thousands of dollars)		**2006**		2005
Provision for unpaid insurance claims	$	**263,514**	$	254,805
Environmental remediation liabilities		**53,826**		66,895
Non-controlling interest		**53,600**		40,934
Asset retirement obligation		**45,902**		30,798
Future tax liability (Note 16)		**21,672**		23,955
Management supplemental pension plans		**18,019**		15,930
Deferred income		**10,936**		10,207
Other liabilities		**31,752**		24,800
	$	**499,221**	$	468,324

Provision for unpaid insurance claims, environmental remediation liabilities, asset retirement obligations and management supplemental pension plans are based on known facts and interpretation of circumstances that are influenced by a variety of factors. As a result, the recorded amount of these liabilities could change by a material amount in the near term.

12. Equity Advances

The Corporation does not have share capital. However, the Corporation has received advances from the GRF to form its equity capitalization. The advances are an equity investment in the Corporation by the GRF.

Notes to Consolidated Financial Statements

December 31, 2006

13. Commitments and Contingencies

The following significant commitments and contingencies exist at December 31, 2006:

a) The Corporation has committed to provide $69.0 million in loans and equity for investment in Saskatchewan business.

b) The Corporation has a $5.0 million U.S. dollar guarantee related to certain obligations to its equity investment in Gas Sur S.A., established under provisions of the shareholders' agreement.

c) The Corporation has entered into power purchase agreements expected to cost $5,744.0 million until 2027 and provide approximately 469 MW of generating capacity.

d) The Corporation also has forward commitments of $1,459.0 million at 2006 prices extending until 2024 for future minimum coal deliveries.

e) The Corporation has guaranteed $10.0 million of energy savings to various customers. These guarantees are mitigated by third party guarantees to the Corporation.

f) The Corporation has committed to 2007 electricity sales of $5.0 million and 2007 electricity purchases of $3.0 million.

g) The Corporation has entered into forward purchase agreements to purchase 4.7 petajoules and sell 3.8 petajoules of natural gas during 2007.

h) The Corporation has entered into natural gas price swaps with counterparties, to fix the selling price of 5.8 petajoules committed for sale during 2007 through 2011 and to fix the purchase price of 0.4 petajoules in 2009.

i) The Corporation has entered into natural gas price options contracts to manage the risk associated with the purchase of 0.4 petajoules and the sale of 0.9 petajoules of natural gas during 2007.

j) On August 9, 2004, a proceeding under **The Class Actions Act** (Saskatchewan) was brought against several Canadian wireless and cellular service providers, including the Corporation and Saskatchewan Telecommunications. The proceeding involves allegations by wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment and breach of statutory obligations concerning system administration fees. The plaintiffs seek unquantified damages from the defendant wireless communications service providers. Similar proceedings have been filed by, or on behalf of, plaintiffs' counsel in other provincial jurisdictions. On July 18, 2006, the Saskatchewan court declined to certify the action as a class action, but granted the plaintiffs leave to renew their application in order to further address certain statutory requirements respecting class actions. The Corporation believes that it has strong defenses to the allegations. Should the ultimate resolution of these actions differ from management's assessments and assumptions, a material adjustment to the Corporation's financial position or results of operations could result.

k) The Corporation has indemnified the Government of Canada for its guarantee of NewGrade Energy Inc.'s (NewGrade) long-term debt, to a maximum of $275.0 million. The fair value of the Corporation's guarantee is $9.2 million.

Notes to Consolidated Financial Statements

December 31, 2006

13. Commitments and Contingencies (continued)

l) The Corporation has guaranteed the exchange risk that exists upon default of NewGrade's U.S. denominated debt to the extent that the default amount would exceed the $360.0 million guaranteed by the GRF. At December 31, 2006, the GRF's exposure under the guarantee does not exceed $360.0 million. The Corporation does not expect any exposure under this guarantee.

m) The Corporation has issued letters of credit in the amount of $33.3 million.

n) On March 26, 2004, the Corporation entered into an Indemnity and Reimbursement Agreement (the indemnity) with HARO Financial Corporation (HARO), Extendicare Inc., Crown Life Insurance Company (Crown Life), and the Directors and certain Officers of Crown life. The Corporation indemnified Crown Life and the Directors and certain Officers of Crown Life for 65.2 percent of the costs, expenses, penalties, interest and reasonable legal fees arising out of any claim, suit or demand in respect of having declared and paid $29.2 million in dividends from Crown Life to HARO. The indemnity is limited to the dividend plus 10.0 percent of $32.1 million and terminates on the earlier of the second closing of the sale of Crown Life to Canada Life Assurance Company or April 1, 2010.

o) As at December 31, 2006, the Corporation has committed to spend $474.7 million on capital projects.

p) The Corporation is the defendant to several unresolved statements of claim, and has provided these claims in its account in accordance with the advice received from legal counsel. The Corporation intends to account for any differences which may arise, between amount provided and amounts expended, in the period in which the claims are resolved.

14. Interest Expense

(thousands of dollars)		**2006**		2005
Interest on long-term debt	**$**	**270,807**	$	285,526
Foreign exchange (gains) losses		**(559)**		710
Amortization of deferred financing costs		**1,281**		1,391
		271,529		287,627
Less:				
Sinking fund earnings		**(14,877)**		(21,262)
Interest capitalized		**(13,171)**		(23,490)
		(28,048)		(44,752)
Long-term debt interest expense		**243,481**		242,875
Short-term debt interest expense		**4,596**		1,064
	$	**248,077**	$	243,939

Interest paid during the year, on a cash basis, was $277.9 million (2005 - $282.1 million).

Notes to Consolidated Financial Statements

December 31, 2006

15. Saskatchewan Taxes and Resource Payments

(thousands of dollars)		2006		2005
Grants in lieu of taxes to municipalities	**$**	**44,929**	$	46,385
Saskatchewan capital tax		**38,906**		38,232
Insurance premium tax		**12,775**		12,866
Other		**4,603**		2,461
	$	**101,213**	$	99,944

16. Income Taxes

Income tax expense differs from the amount that would be computed by applying the Federal and Provincial statutory income tax rates to income before income taxes. The main reasons for the differences are as follows:

(thousands of dollars)		2006		2005
Net income before income taxes from taxable subsidiaries and joint ventures	**$**	**170,952**	$	161,441
Combined Federal and Provincial tax rate		**39.90%**		42.69%
Computed tax expense based on the combined rate	**$**	**68,209**	$	68,912
Increase (decrease) resulting from:				
Earnings not subject to taxation		**(13,222)**		(11,112)
Adjustment to future tax assets for enacted changes in tax laws and rates		**(375)**		(1,051)
Valuation allowance		**(4,030)**		(2,149)
Other		**(2,450)**		1,530
Total income tax expense	**$**	**48,132**	$	56,130
Income tax expense consists of:				
Future income tax expense	**$**	**4,398**	$	35,881
Current income tax expense		**43,734**		20,249
	$	**48,132**	$	56,130

Notes to Consolidated Financial Statements

December 31, 2006

16. Income Taxes (continued)

The tax effects of temporary differences that give rise to significant portions of the future tax asset and future tax liability:

(thousands of dollars)		2006		2005
Future tax asset:				
Non-capital loss carryforwards	$	5,687	$	10,499
Property, plant and equipment - differences in net book value and undepreciated capital cost		14,940		20,568
Other		2,240		2,182
		22,867		33,249
Less: Valuation allowance		(1,896)		(5,926)
Future tax asset	$	20,971	$	27,323
Future tax liability:				
Property, plant and equipment - differences in net book value and undepreciated capital cost	$	10,411	$	15,965
Other		11,261		7,990
Future tax liability	$	21,672	$	23,955

The establishment of future income tax asset and future income tax liability are based on known facts and interpretation of circumstances that are influenced by a number of factors. As a result, the recorded amount of this asset and liability could change by a material amount in the near future.

17. Non-Recurring Items

Non-recurring items include the following:

(thousands of dollars)		2006		2005
Gain (loss) on:				
Saskatchewan Energy Share Plan (a)	$	20,530	$	53,620
Loss on service agreement (b)		(1,588)		(9,705)
	$	18,942	$	43,915

a) On November 29, 2005, the Government of Saskatchewan established the Saskatchewan Energy Share Plan (SESP). The SESP was intended to reduce the cost of natural gas sold by the Corporation to its customers. The plan related to the period November 1, 2005 to March 31, 2006 and was designed to assist natural gas customers in dealing with high natural gas prices during that period.

Under the SESP natural gas prices were capped at $7.95 per gigajoule. During the 2006 fiscal year, the Corporation received $20.5 million (2005-$53.6 million) from the GRF to compensate the Corporation for the actual market cost of gas exceeding the capped $7.95 per gigajoule customer price.

Notes to Consolidated Financial Statements

December 31, 2006

17. Non-Recurring Items (continued)

b) During 1998, the Corporation issued an insurance policy to a vehicle rental company (the rental company). The policy provided bodily injury liability coverage on the rental company's vehicles being driven by its customers. The rental company paid the Corporation an annual premium under this policy between $100.0 thousand to $120.0 thousand. At the same time, the Corporation made an agreement that allowed the rental company to settle and pay all claims submitted by its customers. Because the insurance coverage was in the name of the Corporation, the rental company was required to report quarterly to the Corporation on the status of all reported claims and the provision for unpaid claims. As security to guarantee the provision for unpaid claims, a trust account was to be maintained in an amount that would meet the funding of the outstanding liabilities related to the policy.

The agreement with the rental company expired on March 31, 2005. Subsequent to the expiration of the contract, the rental company filed for voluntary receivership. During the receivership proceedings, it was determined that the rental company had not reported claims correctly to the Corporation, nor had it deposited the correct amounts in the trust account. The Corporation has since collected the balance held in the trust account of $1.2 million. A loss from the service agreement of $1.6 million (2005-$9.7 million) has been charged to operations.

During the year, the Corporation commenced legal action against certain parties to recover the shortfall.

18. Contributed Surplus Applied to Retained Earnings

As part of the Corporation's acquisition of land title operations from the Saskatchewan Department of Justice and the SaskGeomatics Division from Saskatchewan Property Management Corporation, the Corporation received $3.0 million in contributed surplus. In December 2005, the Corporation received approval from its Board of Directors to charge this amount to retained earnings.

19. Related Party Transaction Adjustment

The Corporation issued payment to the Saskatchewan Department of Finance in 2005 in the amount of $35.0 million to repay certain high interest-bearing loans. The transaction has been recorded in these financial statements at the carrying amount of the debt, related sinking fund, premium and commission, and accrued interest, which amounts to $24.4 million. The difference between the cash received and that used to retire the debt relates to the premium paid to the GRF regarding early repayment of debt. The premium was charged first to outstanding contributed surplus of $1.3 million, and the remaining $9.3 million as a direct charge to retained earnings.

20. Items Not Affecting Cash from Operations

(thousands of dollars)		**2006**		2005
Amortization of property, plant and equipment	**$**	**431,578**	$	406,455
Future income tax expense		**4,398**		35,881
Sinking fund earnings		**(14,877)**		(21,262)
Earnings from equity investments		**(24,904)**		(41,122)
(Gains) losses from discontinued operations		**(44,729)**		115,422
Other non-cash items		**(58,039)**		243,438
	$	**293,427**	$	738,812

Notes to Consolidated Financial Statements

December 31, 2006

21. Financial Risk Management

The Corporation is exposed to fluctuations in commodity prices including natural gas, electricity, hog sales and feed component purchases, foreign exchange rates and interest rates. The Corporation utilizes a number of financial instruments to manage these exposures. The Corporation mitigates the risk associated with these financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board.

Fair values are approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

The carrying amounts for cash, short-term investments, accounts receivable, assets from discontinued operations, bank indebtedness, accounts payable and accrued liabilities, notes payable, dividends payable to the GRF and liabilities from discontinued operations approximate the fair value based on their immediate or short-term maturity.

(millions of dollars)	**2006**		2005	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Commodity Price Risk (a)				
Natural gas				
Swaps	**$ -**	**$ 5.1**	$ (2.3)	$ 2.3
Options	**(25.7)**	**(25.6)**	1.9	(4.1)
Futures	**-**	**-**	-	(22.5)
Feed Component Purchases				
Winnipeg wheat	**0.8**	**0.8**	0.3	0.3
Alberta barley	**0.1**	**0.1**	0.1	0.1
Soybean meal	**3.7**	**3.7**	5.2	5.2
Soybean oil	**1.6**	**1.6**	0.3	0.3
Corn	**4.1**	**4.1**	-	-
Financial Assets and Liabilities (b)				
Long-term investments	**434.9**	**461.5**	387.6	411.5
Sinking fund equity	**290.3**	**296.8**	251.7	259.0
Long-term debt	**3,385.0**	**4,118.3**	3,499.2	4,408.9
Interest rate swaps	**18.3**	**18.1**	22.8	21.5
Foreign Currency Risk (c)	**32.0**	**31.4**	23.5	23.7

Notes to Consolidated Financial Statements

December 31, 2006

21. Financial Risk Management (continued)

a) Commodity price risk management

The Corporation is exposed to gas price risk through gas purchased for its gas-fired power plants and through certain gas price-based power purchase agreements. As at December 31, 2006, the Corporation had entered into natural gas contracts to manage its exposure to the price of natural gas. The natural gas contract fair values (including swaps, options and futures) are based on the relevant index price on December 31, 2006.

The Corporation is exposed to electricity price risk on its electricity trading activities. Electricity trading risks are managed through limits on the size and duration of transactions and open positions. The Corporation is exposed to price risk on future hog sales and feed component purchases. The volatility is partially managed through forward pricing on the Chicago Mercantile Exchange (CME).

The Corporation held forward instruments selling 13,158 tonnes of lean pork at an average price of $1,690.42/tonne ($1.69/kg) at December 31, 2006. In addition, the Corporation held forward instruments purchasing feed components at December 31, 2006 that mature in less than six months.

b) Financial assets and liabilities fair value

Where there is no active secondary market for many of the Corporation's bonds, debentures, loans and notes receivable ($15.5 million), equity investments ($238.0 million), non-publicly traded common shares ($28.0 million), and property holdings ($0.1 million), the uncertainty and potentially broad range of fair values renders the disclosure of a fair value with sufficient reliability impractical.

Long-term investments

Share investments - The fair value of publicly traded share investments is based on their final traded price per share on December 31, 2006, less estimated selling costs.

Bonds, debentures, loans and notes receivable - The fair value of bonds, debentures, loans and notes receivable is determined by discounting scheduled cash flows through estimated maturity, using estimated discount rates that reflect the credit and interest rate risk inherent in the loan, less disposition costs.

Sinking fund equity

The fair value of the investments held in the sinking fund is based on their December 31, 2006, quoted market value.

Long-term debt

The fair value of long-term debt is determined by the present value of future cash flows, discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

Interest rate swaps

The fair value of the interest rate swaps is based on quoted market rates at December 31, 2006.

Notes to Consolidated Financial Statements

December 31, 2006

21. Financial Risk Management (continued)

c) Foreign currency risk management

Foreign exchange contracts are valued at quoted market rates, as at December 31, 2006.

d) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Credit risk relates to customer accounts receivable and unbilled revenue, short-term investments, interest and dividends receivable, debentures, loans and other advances and counterparties to financial hedges and commodity transactions. Customer accounts receivable and unbilled revenue is diversified among many residential, farm and commercial customers primarily throughout Saskatchewan.
In addition, the Corporation maintains credit policies and limits in respect to short-term investments and counterparties to financial and commodity transactions.

e) Interest rate risk

The Corporation may be exposed to interest rate risk on the maturity of its long-term debt. However, in the current low interest rate environment, these risks are considered low. As a result, the Corporation has no financial contracts in place, other than those listed, to offset interest rate risk as of December 31, 2006.

22. Leases

Future minimum lease payments for operating leases entered into by the Corporation, as lessee, are as follows:

(thousands of dollars)	
2007	$ **45,912**
2008	**45,892**
2009	**28,214**
2010	**25,749**
2011	**12,951**
Thereafter	**3,227**
	$ **161,945**

Notes to Consolidated Financial Statements

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23. Related Party Transactions

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows:

(millions of dollars)		2006		2005
Accounts receivable	$	**9.1**	$	12.2
Accounts payable and accrued liabilities		**20.4**		8.8
Sales of products and services		**117.8**		144.6
Operating costs		**134.6**		139.5
Costs capitalized		**-**		3.0

During 2006, the Corporation received $20.5 million (2005 - $53.6 million) in grants from the GRF. At December 31, 2006 the Corporation held $4.8 million (2005 - $6.5 million) in Government of Saskatchewan bonds. In addition, the Corporation pays Saskatchewan Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these consolidated financial statements and the notes thereto.

24. Joint Ventures

The Corporation has joint control over the operating, investing and financing policies of Cory Cogeneration Fund Corporation, Cory Cogeneration Joint Venture, Foragen Technologies Limited Partnership, Heritage Gas Limited, NewGrade Energy Inc., and Saskatchewan Entrepreneurial Fund Joint Venture. The Corporation's pro-rata share of its interest in these joint ventures is as follows:

(thousands of dollars)		2006		2005
Current assets	$	**128,430**	$	143,262
Long-term assets		**182,318**		180,455
Current liabilities		**97,228**		105,083
Long-term liabilities		**88,322**		101,257
Revenue		**889,322**		777,762
Expenses		**776,416**		687,459
Net earnings		**112,906**		90,303
Cash provided by operating activities		**121,532**		139,605
Cash used in financing activities		**(118,501)**		(118,054)
Cash used in investing activities		**(12,923)**		(11,550)

Notes to Consolidated Financial Statements

December 31, 2006

25. Employee Future Benefits

The Corporation has three defined benefit pension plans for certain of its employees that have been closed to new membership since 1980. Current service costs of this plan are charged to earnings on the basis of actuarial valuations.

The actuarial valuations include a provision for uncommitted and ad hoc benefit increases, and are measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimate, therefore, involves risks that the actual amount may differ materially from the estimate. The excess of the net actuarial gain (loss) over 10.0 per cent of the greater of the accrued benefit obligation and the fair value of the SaskPower and SGI plan assets are amortized over a period of time which is a blending of the expected average remaining service lifetime of the active members and the future life expectancy of the pensioners. For the SaskPower plan, the service life period was calculated at 3.89 years, while for the SGI plan, it was calculated at 4.00 years. For the SaskTel defined benefits plan, the excess of the net actuarial gain (loss) over 10.0 per cent of the greater of the accrued benefit obligation and the fair value of the SaskTel plan is amortized over the average remaining life of retired members of the SaskTel plan. At SaskTel, the remaining life of retired members was calculated as a weighted average of twenty-two years. SaskPower's last valuation was at September 30, 2006 and the results from the latest valuations for SaskTel and SGI are projected to December 31, 2006. The major assumptions used in the valuations are as follows:

Economic assumptions:		**2006**	
	SaskTel	**SGI**	**SaskPower**
Discount rate - end of period	**5.15%**	**5.00%**	**5.25%**
Expected return on plan assets	**6.75%**	**6.25%**	**6.50%**
Inflation rate	**2.50%**	**2.50%**	**2.50%**
Expected salary increase	**3.00%**	**3.50%**	**3.50%**
Post-retirement index	**100% of CPI**	**50% of CPI**	**70% of CPI**
Last actuarial valuation	**12/31/03**	**12/31/05**	**09/30/06**

Economic assumptions:		2005	
	SaskTel	SGI	SaskPower
Discount rate - end of period	5.25%	5.00%	5.25%
Expected return on plan assets	7.00%	6.75%	6.50%
Inflation rate	2.50%	2.50%	3.50%
Expected salary increase	3.00%	3.50%	2.50%
Post-retirement index	100% of CPI	50% of CPI	50% of CPI
Last actuarial valuation	12/31/03	12/31/02	09/30/04

Notes to Consolidated Financial Statements

December 31, 2006

25. Employee Future Benefits (continued)

Information about the Corporation's defined benefit plans is as follows:

(thousands of dollars)			2006					2005
		SaskTel		**SGI**		**SaskPower**		Combined
Accrued benefit obligation								
Accrued benefit obligation, beginning of year	**$**	**1,029,502**	**$**	**14,869**	**$**	**768,092**	$	1,632,012
Current service cost		**9,124**		**70**		**8,071**		17,677
Interest cost		**52,548**		**714**		**39,613**		94,875
Benefits paid		**(64,656)**		**(1,301)**		**(41,612)**		(89,811)
Impact of change in actuarial assumptions		**6,047**		**528**		**21,593**		147,482
Experience and other		**(26,596)**		**-**		**40,748**		(19,108)
Special termination benefit		**43,399**		**-**		**-**		29,666
Accrued benefit obligation, end of year	**$**	**1,049,368**	**$**	**14,880**	**$**	**836,505**	$	1,812,793

(thousands of dollars)			2006					2005
		SaskTel		**SGI**		**SaskPower**		Combined
Plan assets								
Fair value of plan assets, beginning of year	**$**	**917,733**	**$**	**14,902**	**$**	**761,610**	$	1,510,895
Actual return on plan assets		**114,954**		**1,425**		**63,335**		225,046
Employee funding contributions		**1,645**		**17**		**1,654**		3,804
Employer funding contributions		**37,977**		**10**		**5,203**		44,641
Benefits paid		**(64,656)**		**(1,301)**		**(41,612)**		(89,811)
Fair value of plan assets, end of year	**$**	**1,007,653**	**$**	**15,053**	**$**	**790,190**	$	1,694,575
Funded status - plan surplus (deficit)	**$**	**(41,715)**	**$**	**173**	**$**	**(46,315)**	$	(118,218)
Unamortized transitional asset		**(27,147)**		**(601)**		**(4,472)**		(49,498)
Unamortized past service cost		**8,404**		**-**		**40,951**		12,956
Unamortized net actuarial losses		**107,027**		**974**		**46,085**		232,341
Corporate contributions		**-**		**-**		**-**		4,742
Accrued pension asset	**$**	**46,569**	**$**	**546**	**$**	**36,249**	$	82,323

Notes to Consolidated Financial Statements

December 31, 2006

25. Employee Future Benefits (continued)

The defined benefit plan pension expense (income) is as follows:

(thousands of dollars)		2006		2005
	SaskTel	SGI	SaskPower	Combined
Current service cost - defined benefit plan	$ 7,480	$ 53	$ 5,956	$ 13,428
Interest cost	52,241	714	39,613	94,875
Expected return on pension plan assets	(59,455)	(892)	(48,375)	(103,305)
Special termination benefits cost	43,399	-	-	29,666
Amortization of net transitional asset	(11,651)	(200)	(4,861)	(16,788)
Amortization of past service costs	4,220	-	129	5,086
Amortization of actuarial (gains) losses	6,307	(67)	-	13,684
Impact of settlement	2,133	-	-	-
Defined benefit plan pension (income) expense	$ 44,674	$ (392)	$ (7,538)	$ 36,646

The asset allocation of the defined benefit pension plans is as follows:

		2006	
	SaskTel	SGI	SaskPower
Asset category			
Short-term investments	8.3%	3.0%	0.6%
Bond and debentures	29.0%	55.0%	34.4%
Equity securities	55.5%	42.0%	65.0%
Real estate	7.2%	-%	-%

Other benefit plans

Other benefit plans include a defined benefit and a defined contribution severance plan, a supplementary superannuation plan, two defined benefit service recognition plans, a defined benefit retiring allowance plan and a voluntary early retirement plan:

(thousands of dollars)			2006		2005
	SaskTel	SGI	SaskPower	SaskEnergy	Combined
Accrued benefit liability	$ 19,432	$ 1,980	$ 38,424	$ 13,962	$ 70,898
Net expense	1,360	909	11,248	1,918	35,079

Notes to Consolidated Financial Statements

December 31, 2006

25. Employee Future Benefits (continued)

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations at September 30 for SaskPower and December 31 for SaskTel, SaskEnergy and SGI are:

	2006			
	SaskTel	**SGI**	**SaskPower**	**SaskEnergy**
Discount rate	**4.60%**	**4.70%**	**5.25%**	**4.50%**
Long-term rate of compensation increases	**3.00%**	**3.50%**	**3.50%**	**2.50%**
Remaining service life (years)	**14.10**	**10.00**	**10.36**	**11.40**

	2005			
	SaskTel	SGI	SaskPower	SaskEnergy
Discount rate	5.20%	4.70%	5.25%	4.50%
Long-term rate of compensation increases	3.00%	4.00%	3.50%	2.50%
Remaining service life (years)	14.10	10.00	11.15	13.20

Defined Contribution Pension Plans

The Corporation also has employees who are members of defined contribution pension plans. The Corporation's financial obligation is limited to contractual contributions to the plan. During the year, the Corporation paid $28.5 million (2005 - $26.1 million) into these plans.

26. Rate Regulation

The fact that the Corporation is subject to rate regulation does not result in the Corporation selecting accounting policies that would materially differ from generally accepted accounting principles.

Telecommunications

The Corporation's telecommunications and broadcast services are regulated by the CRTC. The CRTC, however, regulates rates for only those telecommunications services which have not been found to be subject to sufficient competition to rely on market forces to protect the interests of customers. For these services, the rate which the Corporation may charge must receive CRTC approval prior to being implemented and may not be set below the cost of the service, calculated according to CRTC costing rules.

The CRTC also regulates the rates for all services that are designed for use by competitors. The CRTC requires rates for many of these services to be based on service costs plus approved mark-ups.

In addition, the CRTC has implemented a price cap framework which limits the Corporation's flexibility in the pricing of some rate regulated services and, each year, may force a rate reduction for these services, with the Corporation having some flexibility on which specific service rates must be decreased. Certain competitor services rates are subject to potential annual changes based on this framework. The current price cap framework expires in May of 2007, with a decision expected in early 2007 regarding the framework to be adopted after that date.

Approximately $336.5 million (2005 - $327.4 million) of the Corporation's operating revenues are currently subject to CRTC rate regulation.

Notes to Consolidated Financial Statements

December 31, 2006

26. Rate Regulation (continued)

Property and casualty insurance

Regulation of automobile insurance premium rates is based on claims and other costs of providing insurance coverage, as well as projected profit margins. The Corporation's automobile premiums are subject to rate regulation in Alberta, Ontario, Prince Edward Island, New Brunswick and Nova Scotia, which represent approximately $23.3 million (2005 - $25.3 million) of the Corporation's consolidated net premiums earned.

Gas marketing and natural gas commodity

The Corporation's operations in certain jurisdictions are subject to rate regulation by the National Energy Board, Manitoba Public Utilities Board and the Nova Scotia Utility and Review Board, which represents approximately $9.1 million (2005 - $6.8 million) of the Corporation's consolidated operating revenue.

27. Subsequent Event

On January 11, 2007 the Saskatchewan Court of Queen's Bench approved a transaction between MLPLP and the Corporation with 6551017 Canada Ltd. for the sale of the fixed assets and raw materials inventory for the Meadow Lake Pulp Mill. The sale transaction closed on January 23, 2007. Thereafter, the remaining assets, primarily trade accounts receivable and pulp inventory, will be liquidated and the proceeds used to pay certain trade creditors and other liabilities of MLPLP, including full repayment of the Debtor-in-Possession loan, with the balance of the funds used to repay a portion of the debenture owed to the Corporation. The Corporation expects to recover approximately $42.9 million of its MLPLP investment consisting of approximately $32.1 million cash, $5.0 million of equity in the purchaser, a $2.7 million non-interest bearing debenture from the purchaser, $1.3 million in equipment leases receivable from the purchaser and a $1.8 million interest bearing loan from the purchaser.

28. Comparative Figures

Certain of the 2005 comparative figures have been reclassified to conform to current year's presentation.

CIC Non-Consolidated Management Discussion & Analysis

CIC's 2006 Corporate Balanced Scorecard

Performance Management Reporting

CIC, and its subsidiary Crown corporations follow the Strategic and Performance Management Model outlined on page 8. The Crown Sector Strategic Plan shapes CIC's internal strategic and performance plans and establishes the basis for quarterly and annual performance measurement and reporting.

CIC's 2006 Corporate Balanced Scorecard

CIC uses a widely accepted performance management system known as the Balanced Scorecard. This system is used to establish, communicate and report on key corporate performance targets in a standardized and concise format. CIC provides its Board with quarterly progress reports on its performance relative to targets. The 2006 CIC Balanced Scorecard contains four perspectives which are:

Customer and Stakeholders
Leadership and Financial
Public Purpose
Innovation and Growth

Rating of Performance Results

The balanced scorecard includes for each perspective, the strategic objectives, performance measurement targets, and coloured performance indicators in conjunction with the 2006 result. The indicator colour classifies the result into one of the following categories:

- Exceeds target
- Achieved, or generally on target
- Below, or slightly off target
- Missed, or well below target
- Not measured or not reported for this period (or deferred)

Discussion and Variance Analysis

The balanced scorecard for each perspective will also include, where applicable, a discussion regarding the results, or a variance analysis in cases where the results are below the expected target.

Definitions, Methodology and Calculations

For certain terms appearing in the balanced scorecard, definitions will be provided in the Glossary of Terms found on page 131. Where required to understand certain measures or results, the methodology used for specific calculations will be provided within the Glossary of Terms, along with the definition.

CIC's 2006 Corporate Balanced Scorecard Performance Management Reporting

Customer & Stakeholders Perspective

Corporate Strategic Objectives	Performance Measure	2006 Result	Discussion
Accountability and public reporting of the Crown sector.	On time preparation of Annual Report: Target 90 days	● Achieved	
	On time preparation of public quarterly reporting: Target 60 days	● Achieved	
	Summarized Annual Report to Saskatchewan households	● Achieved	Reports distributed in June 2006.
	Evaluation of CIC annual reporting and disclosure by Conference Board of Canada: Target "A" rating	● Not Reported	Evaluation conducted on a two year cycle. Next evaluation will be in 2007.
Development, guidance and support to CIC Board, Crown Boards and Crown Executive.	External performance measure (index) CIC Board: Target 7.0 - 8.0	● Exceeded Score of 8.4	
	External performance measure (index) Crown Executive: Target 6.4 - 6.6	● Achieved Score of 6.4	
Clearly articulate shareholder direction to the Crown sector.	External performance measure (index) CIC Board: Target 7.3 - 8.3	● Below Score of 7.0	CIC is reviewing several communication elements related to providing subsidiary Crowns with greater clarity on shareholder direction within timelines that are more closely aligned with their corporate planning cycles.
	External performance measure (index) Crown Executive: Target 6.1 - 6.5	● Exceeded Score of 6.6	
Establish government, institutional and private sector relationships to maximize strategic economic impact.	External measure of clients: Target - benchmarks to be established in 2006	● Not Reported	Deferred with the redevelopment of CIC Balanced Scorecard.
Capital Pension & Benefits programs that are highly competitive, effective and well governed.	Client base retention: Target 95%	● Exceeded Retention 100%	
	Rolling 4 year return on balanced fund	● Achieved	
	Performance index for Plan Administration and Pension Board	● Below	Due to other priorities in 2006, implementation rescheduled to 2nd quarter of 2007.

Leadership & Financial Perspective

Corporate Strategic Objectives	Performance Measure	2006 Result	Discussion
Effective governance and performance management of Crown subsidiaries.	External performance measure (index) CIC Board: Target 7.2 - 8.0	● Achieved Score of 7.8	
	Crown sector priority targets achieved: Target - benchmarks to be defined.	● Not Reported	Deferred with the redevelopment of CIC Balanced Scorecard.
	Governance rating by Conference Board of Canada: Target to remain in top 25%	● Not Reported	Evaluation conducted on a 2 to 3 year cycle. Next report will be in 2008.
Appropriate return to the General Revenue Fund.	Dividend to the General Revenue Fund (GRF): Target $160 million	● Exceeded Dividend $167 million	
	Shareholder cash flow ROE: Target 12%	● Below Cash flow ROE 10.2%	Improved earnings forecast has increased overall equity in the Crown sector. However, because the dividend remains relatively unchanged, the cash flow ROE is lower than target.
Proactive leadership on Crown sector issues.	External performance measure (index) CIC Board: Target 7.0-8.0	● Achieved Score of 7.9	

Public Purpose Perspective

Corporate Strategic Objectives	Performance Measure	2006 Result	Discussion
Make Saskatchewan the most affordable place in Canada.	Annual aggregate utility cost bundle: Target is to be the lowest cost in Canada	● Achieved Lowest in Canada by $35.64	Validated by 3rd party review conducted by Meyers Norris Penny LLP.
Building the future here.	Youth and Aboriginal opportunities: Target 185 students in the Co-op Program	● Below 167 students	Increased placements of interns and summer hires in the Crown sector resulted in fewer Co-op placements.
	Youth and Aboriginal opportunities: Target 50 interns in the Gradworks Intern Program	● Exceeded 81 interns placed	
	Youth and Aboriginal opportunities: Target 300 students in summer hires	● Achieved 331 students hired	
	Youth and Aboriginal opportunities: Target 59 bursaries under the Bursary program	● Exceeded 77 bursaries awarded	
	Youth and Aboriginal opportunities: Target 50 students in the Math and Science Program	● Achieved 48 students	Within target range, result is a major increase from previous reporting period.
Support a Green and Prosperous Economy.	Strategic investments in support of the Saskatchewan Action Plan for the Economy: Target to establish First Nations and Métis Fund	● Achieved Launched Fund in May 2006	
	Strategic investments in support of the Saskatchewan Action Plan for the Economy: Target to establish Innovation Acceleration Initiative	● Achieved Launched Initiative in March 2006	
	Crown strategies in support of public policy: Target to have strategy alignment in Crown plans	● Achieved Crown Performance Management Plans reviewed and approved	CIC reviews subsidiary Crown Strategic Plans and Performance Management Plans to ensure alignment with shareholder direction and public policy.

Innovation and Growth Perspective

Corporate Strategic Objectives	Performance Measure	2006 Result	Discussion
CIC has a well trained, healthy, productive and collaborative workforce.	Employee satisfaction level	● Not Reported	Employee survey conducted on a 2 year cycle. Next report will be in 2007.
	Training $ as a percentage of payroll: Target of 3.0%	● Below 1.9%	16% of employees did not access available training funds due to workload or unavailability of courses.
	Average employee sick days per year: Target is < 4 casual days	● Achieved 3.37 days	
Youth and Aboriginal opportunities within CIC.	Youth and Aboriginal opportunities: Target 3 students in the Co-op Program	● Below 2 students	A permanent position was created in lieu of a third co-op placement.
	Youth and Aboriginal opportunities: Target >6 interns in the Gradworks Intern Program	● Below 4 interns placed	Fewer placements due to insufficient workload and time constraints related to the mentorship component of the program.
CIC promotes a diverse workforce.	Staff levels in diversity and other target groups: (permanent employees) Women in management: Target 45.6%	● Exceeded 55.4%	Management is defined as the top 7 salary bands.
	Persons with disabilities: Target 8.1%	● Below 7.2%	59% of vacancies and new positions were filled without external recruitment.
	Aboriginal: Target 12.4%	● Below 11.6%	
	Youth: Target 6.0%	● Below 5.4%	
	Visible minorities: Target 2.8%	● Achieved 2.9%	
	Ratio of hires in diversity target groups / total hires: Target 1:3	● Achieved 1:35	
Support a Green Environment.	Office equipment meets Energy Star standards: Target is > 95% of new purchases	● Achieved 100%	
	Purchase of GreenPower: Target is 10,000 kw per month	● Achieved	

CIC's 2007 Corporate Balanced Scorecard

Each year, the CIC Board approves the corporation's Performance Management Plan. This plan outlines the Balanced Scorecard performance targets for the ensuing year, as well as detailed initiatives, programs and actions to assist the corporation in achieving those targets. The following provides examples of corporate priorities, the 2007 Balanced Scorecard, and some core supporting initiatives.

Changes in Performance Measurement for 2007

CIC now has two distinct balanced scorecards; the Sector Scorecard, which contains performance measures associated with the oversight of the Crown sector and CIC's subsidiary Crown corporations; and CIC's Corporate Scorecard, which has performance measures associated with CIC's role as a Crown corporation, and other aspects as it pertains to the delivery of specific public policies or initiatives.

In the development of these separate balanced scorecards, new perspectives were developed and defined for each. The perspectives for 2007 are as follows:

Public Purpose Perspective

This perspective highlights CIC's actions in support of government's public policy objectives for the Crown sector. CIC will play a lead role in the incubation of programs for adoption into the Crown sector, or may take a centralized role in the development and administration of such programs on behalf of the shareholder.

Accountability Perspective

This perspective recognizes the commitment by CIC to report on the operations of CIC and its subsidiary Crowns, and facilitate accountability and transparency. CIC continues to advance its reporting practices so that the information it provides to the CIC Board, the Legislature, and the public is timely, accurate and understandable, and that the information demonstrates the efficient and effective use of resources.

Internal Process Perspective

This perspective challenges the corporation to develop and deploy those tools that enable the corporation to operate in an efficient manner and achieve its goals. Beginning with the communications necessary to disseminate strategic corporate direction and priorities, this perspective also ensures that effective policies and procedures are in place to guide the corporation. Strategic deployment of information technology and its reliability is a key element of the internal process perspective.

People Perspective

This perspective focuses on developing internal employee and organizational strengths including creativity, application of skills, acquisition of specific expertise, continuous personal improvement, and decision-making capabilities. It also includes the development of cultural awareness, a goal of having a workforce that is representative of Saskatchewan demographics, and the encouragement of employees to participate in their communities through volunteerism.

CIC's 2007 Corporate Balanced Scorecard Performance Measurement

Public Purpose Perspective

Corporate Strategic Objectives	Performance Measure	2007 Target	2007 Key Supporting Initiatives
Strategic investments support economic development in Saskatchewan.	Innovation: Investment leverage ratio (External partner investment in relation to CIC investment)	2:1	Continue to support CIC sponsored funds (First Nations and Métis, Apex and Entrepreneurial) to meet government objectives.
Meet government's commitment to the lowest cost Utility Bundle.	Aggregate cost of the residential utility services contained in the Utility Bundle	Lowest in Canada	
Support government's environmental agenda.	Percentage of electricity requirement purchased as "Green" power	>20%	
	CIC's Environmental Stewardship Program: • CO_2 offsets purchased • Paper disposal - reduction	CIC to be carbon neutral in air and auto travel To be determined	Further definition and development of a long term sustainable Environmental Stewardship Program within CIC.

Accountability Perspective

Corporate Strategic Objectives	Performance Measure	2007 Target	2007 Key Supporting Initiatives
Timely and effective reporting of corporate results.	Meet requirements for financial and performance reporting	100%	Advance CIC's accountability agenda including developing policies and practices in support of possible future financial statement certifications by Executive Management.
Efficient use of corporate resources.	Efficiency ratio (operating expense as a % of investments in subsidiaries)	Not to exceed 1%	
Advances CIC's reporting and disclosure against best practice standards.	Conference Board of Canada rating against peers	Retain or improve on current "A" rating	Assess areas for improvement outlined in Conference Board review and make recommendations for future reporting.

Internal Process Perspective

Corporate Strategic Objectives	Performance Measure	2007 Target	2007 Key Supporting Initiatives
Effective communication of corporate strategic priorities and resource allocation.	Employee opinion survey: communication and resource elements	7.6 - 8.2	Increase frequency of staff forums and internal communications, including the development of a corporate intranet.
A professional, ethical and equitable corporate culture.	Employee opinion survey: Corporate cultural elements	To be developed in 2007	
Reliability and consistent performance of IT platform and networks.	% uptime of core network applications	>98%	
	% uptime of specialized applications	>96%	Roll out of new Human Resource software.

People Perspective

Corporate Strategic Objectives	Performance Measure	2007 Target	2007 Key Supporting Initiatives
Promote employee and corporate success.	Employee satisfaction	>80%	Development of a corporate awards and recognition program.
	Training $ as a percentage of payroll	Up to 3%	
	Wellness Program: average number of casual sick days per year	<4 days	Enhance Employee and Family Assistance Program (EFAP) and Wellness Programming.
Ensure corporate workforce renewal and sustainability.	Ratio of hires in diversity groups	1:3	
	Retention of diversity workforce	>80%	
	Opportunities for youth at CIC: • Co-op student program • Gradworks interns	 3 students >6 interns	
	Representative workforce: • Women in management • Aboriginal • Persons with disabilities • Visible minorities	 46.5% 12.9% 8.9% 4.1%	
	Youth employment	8.4%	
CIC and its employees actively support the community.	Corporate sponsorship	Up to 2% of corporate operating budget	Periodic audits to ensure compliance with CIC Sponsorship Policy and application of funds.
	Volunteerism	Reported annually	

CIC Non-Consolidated: Analysis of Financial Results

CIC's non-consolidated financial statements are used by CIC to determine dividend capacity to the Province's GRF. These non-consolidated financial statements isolate the corporation's cash-flow, capital support for certain subsidiary Crown Corporations and public policy expenditures. Inclusion of these financial statements in the Annual Report of CIC enhances public transparency and accountability of CIC's operations.

This narrative on CIC's non-consolidated 2006 financial results should be read in conjunction with the audited non-consolidated financial statements. For the purposes of this narrative on CIC's non-consolidated financial results, "CIC" refers to the holding company.

Comparison of 2006 results with 2005 results

Earnings

Earnings for 2006 were $322.3 million (2005 - $248.1 million). Compared to last year, earnings increased by $74.2 million. The following table presents CIC's 2006 and 2005 earnings:

(millions of dollars)	**2006**	2005	2004	2003	2002
Dividend revenue from Crown corporations	**237.7**	194.9	287.2	285.5	157.1
Add: Revenue from investments [1,2]	**112.1**	109.5	63.6	11.7	142.8
Less: Operating and other expenses	**(13.3)**	(12.0)	(9.0)	(18.3)	(18.0)
Public policy expenditure	**(4.1)**	-	(52.0)	-	-
Grants to subsidiaries	**(10.1)**	(44.3)	(14.8)	(4.6)	(19.1)
Total Non-Consolidated Earnings	**322.3**	248.1	275.0	274.3	262.8

[1] Investments include NewGrade and Cameco Corporation (sold in 2002).
[2] Includes gain on sale of Cameco Corporation shares of $125.7 million (2002).

Earnings increased by $74.2 million from 2005 primarily due to the following:

- An increase in dividend revenue from CIC's subsidiary Crown corporations of $42.8 million;
- A decrease in grants to subsidiaries of $34.2 million; and
- An increase in revenues from investments of $2.6 million.

This increase was offset by an increase in operating costs of $1.3 million, and grants to SaskEnergy of $4.1 million to fund the Energuide for Houses Grant Program.

Dividend Revenue

CIC's revenue is the sum of dividends from subsidiary Crown corporations and CIC's interest in NewGrade. This revenue source is the primary determinant in CIC's ability to pay regular dividends to the GRF.

The two largest determinants of CIC's dividend revenue are commodity prices and weather. Commodity prices influence the crude oil differential on which NewGrade's profitability is dependant. Weather is a significant determinant as follows:

- Demand for electricity and natural gas increase during cold weather spells, impacting earnings at SaskPower and SaskEnergy.
- Accident and other insurance claims at SGI are impacted by winter driving conditions and the summer storm season.
- Water run-off levels impact SaskPower's capacity to generate hydro electricity at a much lower cost source compared to fuel and coal generation.

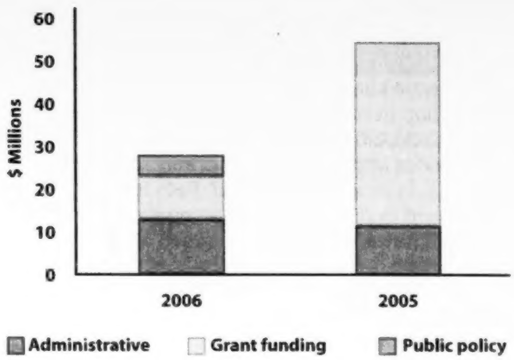
Dividend revenue in 2006 increased $42.8 million to $342.7 million. The following chart shows revenue by contribution source:

(millions of dollars)	**2006**	2005	2004	2003	2002
Dividend revenue					
SaskPower	**60.2**	84.8	59.8	168.5	82.4
SaskTel	**50.0**	57.9	88.0	76.6	58.6
SaskEnergy	**34.5**	29.3	70.0	26.7	4.5
SGI	**33.9**	22.9	27.1	13.8	-
Investment Saskatchewan	**59.1**	-	42.3	-	11.6
New Grade	**105.0**	105.0	60.4	7.6	-
Total Corporate Revenue	**342.7**	299.9	347.6	293.2	157.1

- SaskPower's dividend in 2006 of $60.2 million decreased $24.6 million from $84.8 million in 2005. This decrease is primarily due to higher fuel and purchased power costs as a result of lower cost coal and hydro generation being replaced by higher cost gas-sourced generation, and increased expenses relating to the clean coal feasibility study.
- SaskTel's dividend of $50.0 million decreased by $7.9 million from its 2005 dividend of $57.9 million, due mainly to increased capital spending to advance SaskTel's bandwith infrastructure through the Next Generation Access Infrastructure, and the expansion of the broadband network to rural Saskatchewan.
- SaskEnergy's 2006 dividend of $34.5 million increased $5.2 million from $29.3 million in 2005 due to reduced gains on commodity sales and lower earnings from operations.
  In addition, SaskEnergy's earnings include $20.5 million in funding from the GRF related to Saskatchewan Energy Share.
- SGI's 2006 dividend increased $11.0 million to $33.9 million compared to $22.9 million in 2005. Growth in out-of-province profits and a lower level of summer storm related claims gave SGI its largest profit in SGI Canada history.
- Investment Saskatchewan's dividend was $59.1 million (2005 - Nil). In 2006, Investment Saskatchewan had a net income of $72.9 million (2005 - $87.7 million loss), which was primarily due to a gain of $44.7 million from discontinued operations. In 2005, Investment Saskatchewan had a loss of $115.4 million from discontinued operations due primarily to its investment in MLPLP.
- NewGrade's dividend for 2006 was $105.0 million (2005 - $105.0 million). Cash flows from NewGrade's operations were consistent with 2005 results. The Corporation continued to have near record differentials between light and heavy crude oil prices.

Expenses

CIC's expenses are divided into three main categories: administrative, grants to subsidiary Crown corporations, and public policy expenditure. The adjacent chart shows CIC's expenses by expense category. Total expenses in 2006 of $27.5 million were $28.8 million below the 2005 total of $56.3 million.



Administrative Expenses

Administrative expenses increased by $1.3 million during 2006 to $13.3 million. This increase is primarily due to an increase in expenses for general operations and increased program funding.

Grants to Subsidiary Crown Corporations

CIC grant funding to STC of $8.2 million increased from funding of $7.4 million in 2005. Funding for 2006 was comprised of $4.0 million for operations funding, $1.5 million for capital requirements, and $2.7 million for construction of its new bus terminal in Regina. STC began construction of its new facility in 2005 and has received $5.2 million in funding for the project. Operational funding increased by $0.5 million (2005 - $3.5 million), while capital funding remained unchanged (2005 - $1.5 million).

Gradworks Inc. received $1.7 million in grants in 2006 (2005 - $1.7 million) to fund the internship program.

During 2005, CIC provided $35.0 million in grant funding to SaskWater as part of a financial restructuring to reduce SaskWater's debt levels.

Public Policy Expenditures

In November 2005, the Saskatchewan government announced the second part of the Saskatchewan Energy Share Program, which was designed to encourage people to reduce energy consumption and become more energy efficient. CIC is responsible for funding two components of this program; the Energuide for Houses audit, and grants to homeowners for energy conserving retrofits completed on their home. The total funding for this program in 2006 was $4.1 million.

Operating, Investing and Financing Activities

(millions of dollars)	**2006**	2005
Cash Flow Highlights		
Cash from Operations	**246.7**	332.5
Cash used in Investing Activities	**(4.9)**	(25.2)
Cash used in Financing Activities	**(221.0)**	(263.0)
Increase in Cash	**20.8**	44.3

Cash from operations in 2006 of $246.7 million decreased from 2005 by $85.8 million. This was due to an increase in dividends receivable as at December 31, 2006, reflecting the timing of dividend payments from Crown corporations. Dividends are paid by Crown corporations to CIC on a quarterly basis, with a one quarter lag between the dividend declaration and the dividend payment.

Operating, Investing and Financing Activities (continued)

Cash used in investing activities in 2006 of $4.9 million decreased from 2005 by $20.3 million. During 2006, CIC invested $4.1 million in the First Nations and Métis Fund Inc., and $0.6 million in the CIC Economic Holdco Ltd. Both funds were established in 2005 to assist aspiring entrepreneurs in Saskatchewan. The primary reason for the $20.3 million decrease is CIC increased its equity investment in SGI by $25.0 million during 2005 to facilitate SGI's expansion into Alberta and further growth in Ontario.

Cash used in financing activities is comprised entirely of CIC's dividend payments to the GRF. In 2005, CIC declared a dividend to the GRF of $221.0 million, paid in March 2006.

Public Policy Initiatives

CIC Economic Holdco Ltd. (Saskatchewan Entrepreneurial Fund Joint Venture)

CIC Economic Holdco Ltd. was established in November 2005 in order to hold a joint venture interest in Saskatchewan Entrepreneurial Fund Joint Venture (The Fund). The Fund operates as an institutional investment fund focusing on investment in the Province of Saskatchewan and the creation of employment and economic growth and expansion of the small business sector. CIC has committed to invest up to $25.0 million until 2009. To date, CIC has invested $0.6 million in The Fund.

First Nations and Métis Fund Inc.

First Nations and Métis Fund Inc. was established in May 2006 to provide venture capital to qualifying First Nations and Métis business in the Province of Saskatchewan. CIC has committed to invest up to $20.0 million until 2009. To date, CIC has invested $4.1 million in the fund.

Gradworks Inc.

The Gradworks internship program was formally launched in February 2005 after operating on a trial basis in 2004. Gradworks provides recent post-secondary graduates with internships in CIC Crown corporations, providing the graduates job opportunities and valuable work experience that may lead to permanent jobs in the Crowns, or with other employers. In 2006, CIC provided grant funding of $1.7 million (2005 - $1.7 million).

Energuide for Houses Program

In November 2005, the Saskatchewan Government announced the second part of the Saskatchewan Energy Share Program, which was designed to encourage people to reduce energy consumption and become more energy efficient. CIC is responsible for funding two components of this program; the Energuide for Houses audit and the grants to homeowners for energy conserving retrofits on their home. In 2006, CIC provided $4.1 million in funding.

Utility Bundle

In 2003, the government made a commitment to ensure that Saskatchewan families will receive the package of basic utilities including home electricity, home natural gas, basic telephone rates, and auto insurance at a total annual cost that is as low as or lower than the same package in any other province in Canada. CIC analyzes the costs of this commitment and determines if any action is necessary, for example, a rebate. In 2006, it was determined that Saskatchewan had the lowest utility bundle rates in Canada, therefore no funding was necessary.

Comparison of 2006 Results with Budget

(millions of dollars)	Budget	2006 Earnings Actual	Dividend (% of earnings)
Dividends to CIC			
SaskPower	66.3	60.2	65%
SaskTel	50.0	50.0	69%
SaskEnergy	50.6	34.5	65%
SGI	22.0	33.9	65%
Investment Saskatchewan[1]	-	59.1	81%
NewGrade	76.7	105.0	102%
Total Dividend Revenue	**265.6**	**342.7**	
Grant Funding	(20.4)	(10.1)	
Public Policy Expenditure	(63.6)	(4.1)	
Other Income & Expenses	(33.7)	(6.2)	
Non-Consolidated Earnings	**147.9**	**322.3**	
Dividend to the GRF	**160.0**	**167.0**	

1 During the 2006 budget cycle, Investment Saskatchewan reviewed its budget dividend targets.

Earnings

The preceding table shows that CIC's non-consolidated earnings for 2006 compares favorably to business plan targets. Non-consolidated earnings for 2006 of $322.3 million compared favorably to the budgeted amount of $147.9 million. The earnings exceeded budget primarily due to savings on utility bundle rebate costs and increased dividend revenue.

Dividend Revenue

Dividend revenue is directly proportionate to Crown earnings. The following outlines variances in dividends from Crown corporations and NewGrade:

- SaskPower dividends were below budget due to higher fuel and purchased power costs and increased expenses relating to the clean coal feasibility study.
- SaskTel dividends were at budget. During 2006 Sasktel increased capital spending on bandwidth infrastructure, expansion of the broadband network to rural Saskatchewan, and increased expenses to support revenue growth in wireless and entertainment services.
- SaskEnergy dividends were below budget due to a lower gain on commodity sales and lower earnings from operations. In addition, SaskEnergy's earnings include $20.5 million in funding from the GRF related to Saskatchewan Energy Share.
- SGI dividends exceeded budget, primarily due to lower claim costs, increased earnings on its portfolio investments, and growth in out-of-province earnings, mainly from Coachman's automobile operations in Ontario.
- Investment Saskatchewan's dividends exceeded budget due to a recovery of provisions related to MLPLP.
- NewGrade dividends exceeded budget due to higher than expected differentials between prices for light and heavy crude oil.

Grant Funding

CIC's grant funding to subsidiary Crown corporations was below budget by $10.3 million. This is primarily related to $7.5 million of capital grants related to STC's new head office and bus terminal in Regina,$2.0 million in grant funding to SaskWater for capital projects, and $0.8 million in grant funding to Gradworks Inc.

Public Policy Expenditures

CIC's earnings were positively impacted by the achievement of the lowest utility bundle cost in Canada for 2006. For the second straight year, the province has maintained the lowest utility bundle cost in Canada.

Key Factors Affecting Financial Performance

Earnings of Crown Corporations

- The key factor affecting CIC's earnings are the level of dividends from commercial subsidiary Crown corporations and its investment in NewGrade.
- Factors affecting the level of dividends from subsidiary Crowns include the level of profits and the application of CIC's Subsidiary Dividend Policy. The CIC Board determines dividends from a subsidiary after allocating cash for reinvestment into the Crown and also for debt reduction, if necessary.
  CIC expects aggregate dividends declared by its commercial subsidiaries in 2007 to be similar to 2006.

Earnings of NewGrade

- Dividends from NewGrade are determined by NewGrade's Board of Directors. NewGrade's Board of Directors will consider the project's profitability, agreements between the shareholders, lenders and loan guarantors, and capital requirements of the Corporation, before declaring the dividend.

Public Policy Costs

- In 2003, the government adopted a policy to ensure that Saskatchewan families will receive the package of basic utilities including home electricity, home natural gas, basic telephone rates, and auto insurance at a total annual cost that is as low as, or lower than the same package in any other province in Canada.
  CIC analyzes the costs of this policy and is responsible for providing rebates, if necessary. The cost, if any, of the lowest bundle package for 2007 can not be determined in advance, as it is dependant on future events.

Investment Values

- CIC regularly assesses the appropriateness of the carrying value for its investments, and writes down an investment if it judges there to be a permanent impairment in carrying value.

Looking Ahead to 2007

CIC's key financial initiatives for 2007 include:

- Enhance accountability and transparency through implementation of an internal audit function that will serve as a resource to CIC and the smaller Crowns, to provide a greater level of assurance on internal controls and processes.
- Continue to monitor new developments in financial reporting and governance, ensuring that CIC is a leader in its reporting and accountability practices.
- Continue to provide a return to the shareholder.
- Contribute to important public policy initiatives by:
  - Providing Saskatchewan families with the lowest cost utility bundle;
  - Funding youth and Aboriginal initiatives such as Gradworks; and
  - Providing capital to fund specified economic initiative

(millions of dollars)	**Earnings**	**Dividend**	**Dividend (% of Crown earnings)**
Crown Corporation 2007 Earnings			
SaskPower	135.0	88.0	65%
SaskTel	61.4	30.0	49%
SaskEnergy	69.0	51.8	75%
SGI	37.8	24.6	65%
Investment Saskatchewan	27.8	27.8	100%
ISC	7.5	2.0	27%
SaskWater	0.1	-	-
STC	(8.5)	-	-
SOCO	4.4	-	-
NewGrade	74.9	73.7	98%
CIC (non-consolidated), Other, Adjustments	(65.1)	-	-
Consolidated Earnings	**344.3**		
Dividend to the GRF	**200.0**		

Non-Consolidated Financial Statements

Responsibility for Financial Statements

The accompanying Non-Consolidated Financial Statements have been prepared by management of Crown Investments Corporation of Saskatchewan to illustrate the financial position and results of operations of the corporate entity only. They have been prepared, on a non-consolidated basis, in accordance with the basis of accounting described in Note 1(a) to the financial statements, consistently applied, using management's best estimates and judgments where appropriate. Management is responsible for the reliability and integrity of the Non-Consolidated Financial Statements, the notes to the Non-Consolidated Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors is responsible for reviewing the annual financial statements and meeting with management, KPMG LLP and the Provincial Auditor for Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor for Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

KPMG LLP has audited the Non-Consolidated Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Non-Consolidated Financial Statements, appears opposite.

Ron Styles
President & CEO

Blair Swystun, CFA
Vice-President & CFO

March 28, 2007

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the non-consolidated statement of financial position of **Crown Investments Corporation of Saskatchewan** as at December 31, 2006 and the non-consolidated statements of operations and retained earnings and cash flows for the year then ended. These non-consolidated financial statements have been prepared at the request of the Legislative Assembly of Saskatchewan. These non-consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note 1(a) to the financial statements.

These non-consolidated financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are intended for the purpose of tabling with the Legislative Assembly of Saskatchewan.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan

March 28, 2007

Non-Consolidated Statement of Financial Position

As at December 31

(thousands of dollars)		2006		2005
ASSETS				
Cash and short-term investments (Note 3)	**$**	**310,472**	$	289,645
Interest and accounts receivable		**299**		499
Dividends receivable		**111,230**		35,033
Equity advances to Crown corporations (Note 4)		**1,075,382**		1,075,382
Investments in share capital corporations (Note 5)		**382,119**		377,469
Equipment (Note 6)		**513**		504
	$	**1,880,015**	$	1,778,532
LIABILITIES AND PROVINCE'S EQUITY				
Accounts payable	**$**	**2,598**	$	2,423
Dividend payable to General Revenue Fund		**167,000**		221,000
		169,598		223,423
Province of Saskatchewan's Equity				
Equity advances (Note 7)		**1,181,152**		1,181,152
Retained earnings		**529,265**		373,957
		1,710,417		1,555,109
	$	**1,880,015**	$	1,778,532

Commitments and Contingencies (Note 8)

(See accompanying notes)

On behalf of the Board:

Maynard Sonntag

Director

Andrew Thomson

Director

Non-Consolidated Statement of Operations and Retained Earnings

For the Year Ended December 31

(thousands of dollars)		2006		2005
REVENUE				
Dividend (Note 9)	$	**342,731**	$	299,930
Interest		**6,955**		4,470
Other		**158**		59
		349,844		304,459
EXPENSES				
General, administrative and other		**13,172**		11,766
Amortization		**191**		268
		13,363		12,034
Earnings before the following		**336,481**		292,425
Grant to Saskatchewan Transportation Company		**(8,250)**		(7,400)
Grant to Gradworks Inc.		**(1,742)**		(1,654)
Grant to Saskatchewan Water Corporation		**(57)**		(35,114)
Grant to Saskatchewan Government Insurance		**(49)**		(120)
Public policy expenditure (Note 10)		**(4,075)**		-
NET EARNINGS		**322,308**		248,137
RETAINED EARNINGS, BEGINNING OF YEAR		**373,957**		346,820
		696,265		594,957
DIVIDEND TO GENERAL REVENUE FUND		**(167,000)**		(221,000)
RETAINED EARNINGS, END OF YEAR	$	**529,265**	$	373,957

(See accompanying notes)

Non-Consolidated Statement of Cash Flows

For the Year Ended December 31

(thousands of dollars)		2006		2005
OPERATING ACTIVITIES				
Net earnings	$	322,308	$	248,137
Add (deduct) non-cash items:				
Amortization		191		268
		322,499		248,405
Net change in non-cash working capital balances related to operations (Note 11)		(75,822)		84,137
Cash provided by operating activities		246,677		332,542
INVESTING ACTIVITIES				
Equity advances to Crown corporations		-		(25,000)
Purchase of investments		(4,650)		-
Purchase of equipment		(200)		(234)
Cash used in investing activities		(4,850)		(25,234)
FINANCING ACTIVITIES				
Dividend paid		(221,000)		(263,000)
Cash used in financing activities		(221,000)		(263,000)
NET INCREASE IN CASH DURING YEAR		20,827		44,308
CASH POSITION, BEGINNING OF YEAR		289,645		245,337
CASH POSITION, END OF YEAR	$	310,472	$	289,645

(See accompanying notes)

Notes to Non-Consolidated Financial Statements

December 31, 2006

1. Summary of Significant Accounting Policies

The non-consolidated financial statements of Crown Investments Corporation of Saskatchewan (CIC) have been prepared in accordance with Canadian generally accepted accounting principles except as noted in a), b) and c) below. The preparation of periodic financial statements involves the use of estimates since the precise determination of financial data frequently depends on future events. These financial statements have been prepared by management within reasonable limits of materiality using the accounting policies summarized below:

a) Basis of presentation

These non-consolidated financial statements have been prepared at the request of the Legislative Assembly of Saskatchewan in accordance with the significant accounting policies described below. The basis of accounting used to prepare these non-consolidated financial statements materially differs from Canadian generally accepted accounting principles because CIC's subsidiaries and its investment in a joint venture are accounted for using the cost method. CIC has also prepared and tabled consolidated financial statements for the same period in accordance with Canadian generally accepted accounting principles.

b) Equity advances to Crown corporations

With the exception of Investment Saskatchewan Inc., Crown corporations do not have share capital. However, eight Crown corporations have received equity advances from CIC to form their equity capitalization. The equity advances are initially recorded at cost, but where there has been a decline in the value of the investment that is not considered temporary, the investment is written down to its estimated realizable value. Dividends from these corporations are recognized as income when declared.

c) Investments in share capital corporations

Investments in shares of corporations are accounted for on the cost method regardless of whether or not joint control exists, or if there is a parent-subsidiary relationship. When there has been a decline in the value of a joint venture or a share capital Crown subsidiary corporation that is not considered temporary, the investment is written down to its estimated net realizable value. Dividends from these share investments are recognized as income when declared.

d) Equipment

Equipment is recorded at cost. When these assets are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the statement of operations.

Equipment is amortized using the following methods:

Computer equipment	- 30% declining balance
Furniture and equipment	- 20% declining balance
Computer software	- 3 years straight-line
Leasehold improvements	- over life of lease

Notes to Non-Consolidated Financial Statements

December 31, 2006

1. Summary of Significant Accounting Policies (continued)

e) Fair value disclosure of short-term financial instruments

At year end the carrying value of cash and short-term investments, interest and accounts receivable, dividends receivable, accounts payable and dividend payable to GRF approximates the fair value due to their immediate or short-term maturity.

f) Cash position

Cash position includes the cash held within CIC's bank accounts and short-term investments which mature on or before March 30, 2007.

2. Status of Crown Investments Corporation of Saskatchewan

The Government Finance Office was established by Order in Council 535/47 dated April 2, 1947, and was continued under the provision of **The Crown Corporations Act, 1993** (the Act), as Crown Investments Corporation of Saskatchewan. CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is not subject to Federal and Provincial income taxes.

The Act assigns specific financial and other responsibilities to CIC regarding Crown corporations designated or created as subsidiary Crown corporations of CIC under the Act. The following corporations have been designated or created by Order in Council:

Information Services Corporation of Saskatchewan
Investment Saskatchewan Inc.
SaskEnergy Incorporated
Saskatchewan Development Fund Corporation
Saskatchewan Government Growth Fund Management Corporation
Saskatchewan Government Insurance
Saskatchewan Opportunities Corporation
Saskatchewan Power Corporation
Saskatchewan Telecommunications
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Transportation Company
Saskatchewan Water Corporation

In addition to the above Crown corporations, CIC is the sole member of Gradworks Inc., a non-profit corporation and a sole shareholder of First Nations and Métis Fund Inc. (FNMF) and CIC Economic Holdco Ltd., which are wholly owned share capital subsidiaries.

Notes to Non-Consolidated Financial Statements

December 31, 2006

3. Cash and Short-Term Investments

Included in cash and short-term investments are $310.4 million (2005 - $289.6 million) in short-term investments maturing on or before March 30, 2007 and carry an effective interest rate of 4.26 per cent (2005 - 3.41 per cent).

4. Equity Advances to Crown Corporations

Equity advances to Crown corporations are as follows:

(thousands of dollars)		**2006**		2005
Saskatchewan Power Corporation	**$**	**660,000**	$	660,000
Saskatchewan Telecommunications Holding Corporation		**250,000**		250,000
SaskEnergy Incorporated		**71,531**		71,531
Saskatchewan Government Insurance		**80,000**		80,000
Information Services Corporation of Saskatchewan		**12,000**		12,000
Saskatchewan Development Fund Corporation		**1,150**		1,150
Saskatchewan Water Corporation		**700**		700
Saskatchewan Government Growth Fund Management Corporation		**1**		1
	$	**1,075,382**	$	1,075,382

Crown corporations are not publicly traded and therefore have no quoted market value. As a result, CIC has determined that it is not practical with sufficient reliability to fair value these investments due to the costs associated with this type of valuation.

Notes to Non-Consolidated Financial Statements

December 31, 2006

5. Investments in Share Capital Corporations

(thousands of dollars)	Voting Percentage	2006	2005
Investment Saskatchewan Inc. (a):			
53,019,383 (2005 - 53,019,383)			
common shares	100%	**$ 530,194**	$ 530,194
NewGrade Energy Inc. (b):			
100 (2005 - 100) Class Y voting participating			
common shares	50%	**50,001**	50,001
First Nations and Métis Fund Inc. (FNMF) (c):			
100 (2005 - Nil) Class A common shares	100%	**-**	-
Due from First Nations and Métis Fund		**4,100**	-
		4,100	-
CIC Economic Holdco Ltd. (d):			
100 (2005 – Nil) Class A common shares	100%	**-**	-
Due from CIC Economic Holdco Ltd.		**550**	-
		550	-
		584,845	580,195
Write down of investments:			
Investment Saskatchewan Inc.		**(152,725)**	(152,725)
NewGrade Energy Inc.		**(50,001)**	(50,001)
		$ 382,119	$ 377,469

a) CIC owns 100 percent of the outstanding common shares of Investment Saskatchewan Inc. On September 3, 2003, Investment Saskatchewan Inc., was designated as a Crown corporation to which provisions of **The Crown Corporations Act 1993**, apply.

b) CIC owns 50.0 per cent of the outstanding voting participating shares of NewGrade Energy Inc. (NewGrade), a jointly controlled corporation.

CIC is committed to funding any operating shortfall of NewGrade at the end of any year. CIC will loan NewGrade up to $2.0 million, escalated by inflation, in the form of a Subordinated Operations Fee Amount after Consumers Co-operative Refineries Ltd. (CCRL) has provided its $2.0 million Subordinated Operations Fee Amount. If these loans do not cover all cash shortfalls, then CIC will loan NewGrade up to $4.0 million as a Cash Flow Deficiency Loan on a pro rata basis with CCRL. If this facility is exhausted, CIC will loan NewGrade the remainder to cover any other annual operating shortfall. These loans will bear interest at CCRL's rate of borrowing. CCRL's required Cash Flow Deficiency Loans cannot exceed $40.0 million outstanding at any time.

Notes to Non-Consolidated Financial Statements

December 31, 2006

5. Investments in Share Capital Corporations (continued)

c) CIC holds 100 percent of the Class A voting common shares of FNMF. FNMF was established on May 9, 2006 to provide venture capital to qualifying First Nations and Métis businesses in the Province of Saskatchewan. During the year CIC advanced $4.1 million to FNMF.

d) CIC, through its wholly-owned subsidiary, CIC Economic Holdco Ltd., entered into a joint venture agreement with Saskatchewan Entrepreneurial Fund Joint Venture (SEFJV). The SEFJV was established on April 24, 2006 to operate as an institutional investment fund focusing primarily on investment in Saskatchewan and the creation of employment and economic growth and expansion of the small business sector in Saskatchewan. At December 31, 2006, the Corporation has invested $0.5 million in SEFJV through CIC Economic Holdco Ltd.

e) The securities of Investment Saskatchewan Inc., NewGrade, FNMF and CIC Economic Holdco Ltd., are not publicly traded and therefore have no quoted market value. As a result, CIC has determined that it is not practical with sufficient reliability to fair value these investments due to the costs associated with this type of valuation.

6. Equipment

(thousands of dollars)		2006		2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment	**$ 1,980**	**$ 1,467**	**$ 513**	$ 504

7. Equity Advances

CIC does not have share capital. However, CIC has received advances from the GRF to form its equity capitalization. The advances are an equity investment in CIC by the GRF.

8. Commitments and Contingencies

a) CIC has guaranteed the exchange risk that exists upon default of NewGrade's U.S. denominated debt to the extent that the default amount would exceed the $360.0 million guaranteed by the GRF. At December 31, 2006, the GRF's exposure under the guarantee does not exceed $360.0 million. CIC does not expect any exposure under this guarantee in 2007.

b) CIC has indemnified the Government of Canada for their guarantee of NewGrade's long-term debt, to a maximum of $275.0 million. The fair value of the guarantee is $9.2 million (2005 - $17.5 million).

c) CIC has guaranteed the annuities for the Retirement Annuity Fund portion of the Capital Pension Plan. CIC does not expect any exposure under this guarantee in 2007.

d) CIC through Cabinet was directed to provide the lowest combined costs in Canada for certain residential products provided by its subsidiaries Saskatchewan Power Corporation (residential power), Saskatchewan Telecommunications Holding Corporation (basic residential phone service), SaskEnergy Incorporated (residential heating) and Saskatchewan Government Insurance (basic car insurance). CIC has determined that in 2006 there is no exposure under this directive.

Notes to Non-Consolidated Financial Statements

December 31, 2006

8. Commitments and Contingencies (continued)

e) The Corporation has committed to invest up to $20.0 million in the First Nations and Métis Fund Inc. until 2009. At December 31, 2006, CIC has invested $4.1 million.

f) The Corporation has committed to invest up to $25.0 million in the Saskatchewan Entrepreneurial Fund Joint Venture. At December 31, 2006, CIC has invested $0.5 million.

g) CIC has committed to provide up to $25.5 million in funding to Saskatchewan Transportation Company for the construction of a new head office and bus terminal in Regina. At December 31, 2006, CIC has provided $3.0 million.

9. Dividend Revenue

Dividend revenue consists of the following:

(thousands of dollars)		**2006**		2005
NewGrade Energy Inc.	**$**	**105,000**	$	105,000
Saskatchewan Power Corporation		**60,232**		84,831
Investment Saskatchewan Inc.		**59,133**		-
Saskatchewan Telecommunications Holding Corporation		**50,000**		57,919
SaskEnergy Incorporated		**34,500**		29,300
Saskatchewan Government Insurance		**33,866**		22,880
	$	**342,731**	$	299,930

10. Public Policy Expenditure

In November 2005, Cabinet announced a two-part plan to help Saskatchewan people reduce heating costs and share the benefits of increased revenues from natural gas. During the year, CIC provided $4.1 million to SaskEnergy to meet the directive.

11. Net Change in Non-Cash Working Capital Balances Related to Operations

(thousands of dollars)		**2006**		2005
Decrease (increase) in interest and accounts receivable	**$**	**200**	$	(213)
(Increase) decrease in dividends receivable		**(76,197)**		85,228
Increase (decrease) in accounts payable		**175**		(878)
	$	**(75,822)**	$	84,137

Notes to Non-Consolidated Financial Statements

December 31, 2006

12. Related Party Transactions

Included in these non-consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to CIC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end, are as follows:

(thousands of dollars)		**2006**		2005
Category (as per financial statements)				
Accounts receivable	**$**	**16**	$	91
Accounts payable		**1,638**		1,514
General, administrative and other expenses		**2,335**		1,907
Other revenue		**51**		46

In addition, CIC pays Saskatchewan Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

CIC provides management services to First Nations and Métis Fund Inc., Gradworks Inc., CIC Economic Holdco Ltd., and Saskatchewan Government Growth Fund Management Corporation without charge.

These non-consolidated financial statements and the notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

13. Pension Plan

CIC's employees participate in the Capital Pension Plan (the Plan), a defined contribution pension plan which is administered by CIC. CIC's contributions to the Plan include making regular payments into the Plan to match the required amounts contributed by employees for current service. The total amount paid to the Plan for 2006 was $329.1 thousand (2005 - $270.7 thousand). Included in the Plan is a Retirement Annuity Fund (the Fund). The Fund provides retirement annuities at the option of retiring members of the Plan.
An actuarial valuation of the Fund is performed annually. The assets of the Fund at December 31, 2006 exceed the actuarially determined net present value of retirement annuities payable.

14. Subsequent Event

On January 11, 2007 the Saskatchewan Court of Queen's Bench approved a transaction between MLPLP and Investment Saskatchewan Inc. with 6551017 Canada Ltd. for the sale of the fixed assets and raw materials inventory of the Meadow Lake pulp mill. The sale transaction closed on January 23, 2007. Thereafter, the remaining assets, primarily trade accounts receivable and pulp inventory, will be liquidated and the proceeds used to pay certain trade creditors and other liabilities of MLPLP, including full repayment of the Debtor-in-Possession loan, with the balance of the funds used to repay a portion of the debenture owed to Investment Saskatchewan Inc.

Investment Saskatchewan Inc. expects to recover approximately $42.9 million of its MLPLP investment consisting of approximately $32.1 million cash, $5.0 million of equity in the purchaser, a $2.7 million non-interest bearing debenture from the purchaser, $1.3 million in equipment leases receivable from the purchaser and a $1.8 million interest bearing loan from the purchaser.

Glossary of Terms

Capital resources
The funds that have been invested in and loaned to the corporation to allow it to carry out its operations and investment activities. A corporation's capital consists of its debt and equity.

Capital structure
The relative percentage or weighting of debt compared to equity for a corporation. The ideal capital structure for a corporation is usually specific to its industry and depends on factors such as the level of capital assets required to maintain operations, the cost of borrowing, the risk associated with the industry, and shareholder expectations.

Cash flow return on equity
A measure of profitability used to evaluate the Province's investment in CIC. It is based on the cash return (e.g., dividend) provided to the owner and is calculated as dividends paid to the GRF divided by the Province's equity.

Debt ratio
Measures the per cent of debt in the overall capital structure of an organization and is used to evaluate its financial flexibility. It is calculated as total debt from ongoing operations divided by the corporation's capital (debt plus equity).

Derivative
A contract or security that obtains its value from price movements in a related or underlying security, future or other instrument or index.

Dividend capacity
The financial ability that a firm has to pay dividends. Dividend capacity is determined by identifying cash sources from operations, analyzing reinvestment needs and the target capital structure, and then determining surplus cash.

Dividend payout rate
The percentage of earnings that has been paid out as dividends.

ENERGY STAR
An international symbol of energy efficiency that helps consumers quickly and easily identify the most energy efficient products available to help them save energy, money and protect the environment. Manufacturers or retailers place the ENERGY STAR logo on the models that meet or exceed the ENERGY STAR energy-efficiency criteria.

Forward contracts
A contractual commitment to buy or sell a specified currency at a specific price and date in the future.

General Revenue Fund (GRF)
The GRF is a special purpose fund that the Government uses to pay for most of the programs it provides. It is the Government of Saskatchewan's central accounting entity where all public monies are deposited to and disbursed from, as authorized by the Legislative Assembly.

GreenPower
A term used by SaskPower to identify EcoLogo certified renewable energy through the GreenPower Program. This is an additional cost over the regulated electricity rate to cover the higher cost of generation.

Net risk ratio
An indicator of financial flexibility commonly used in the insurance industry to relate the amount of equity capital (e.g., funds available for insurance payments) to the level of business supported (e.g., the estimated future claims payments related to existing insurance policies).

Option
A contract that grants the right, but not the obligation, to buy or sell a commodity or financial instrument at a specified price at a specified point in time during a specified period.

Performance Management Plans
Plans that are developed by each Crown corporation detailing key strategic priorities, measures and targets for a given year. They are also referred to as business plans, and typically include the corporation's budget for the year.

Return on equity
A measure of profitability that relates a company's earnings to the investment by its owners. It is calculated as net earnings divided by average shareholder's equity.

Significant transaction
Significant transactions are those judged by a Crown corporation to be sensitive and likely of interest to legislators and the public; or where the transaction is both material and outside the ordinary course of business and involves:

- the acquisition of a major investment or asset, or the assumption of a major liability;
- a change in the terms and conditions governing an existing investment or asset; or
- the divestment of a major asset or investment.

Sinking fund
An account held for the specific purpose of paying down an existing debt instrument (e.g., loan) that has a maturity date in the future. Money is placed in the fund over the period which the debt is held, and then used to pay off the debt at its maturity. Sinking funds are netted against the related debt for financial reporting purposes.

Swap
A contractual agreement to exchange a stream of periodic payments with a counterparty.

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Printed in Saskatchewan, April 2007

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